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# FINANCIAL FRAUDS: A CASE STUDY OF MAJOR SCAMS OF INDIA

*RIDHI GUPTA*
*RESEARCH SCHOLAR*
*DEPARTMENT OF MANAGEMENT STUDIES*
*BHAGAT PHOOL SINGH MAHILA VISHWAVIDYALAYA*
*KHANPUR KALAN*

*Dr. SANKET VIJ*
*PROFESSOR*
*BHAGAT PHOOL SINGH MAHILA VISHWAVIDYALAYA*
*KHANPUR KALAN*

## ABSTRACT

*From Satyam, Sahara and Nirav Modi Scam, it appears that financial fraud is a serious problem for the economy. It is evidenced by various researches that due to increase in number of financial frauds, integrity of financial reports is affected in an adverse manner. It also weakens the trust of stakeholders in financial statements and also adversely affects their confidence. Increase in number of financial frauds demands strict rules and regulations, well defined corporate governance practices, strict punishment to fraudsters. The present study analyzed three major financial scams- Sahara Scam, Satyam Computers Scam and Nirav Modi Scam in detail to discuss the importance of ethics and corporate governance practices in an organization. Satyam, Sahara and Nirav Modi Scam were the result of its CEO greed for money, power, competition, prestige. To fulfill their motive to earn more & more, they violated all duties imposed on them as a fiduciary, violated ethical standards, and did not fulfill his obligation towards society. These frauds propelled the Government of India took quick action against fraudsters to protect the interest of investors and to safeguard the credibility & image of the country worldwide.*

## KEYWORDS
financial frauds, financial scams.

## JEL CODES
M41, M42, G14.

## 1.0 MEANING OF FRAUD

As per the Oxford English Dictionary, Fraud means any act committed to cheating others to take financial or personal gain from them. But there is no universally accepted definition of financial fraud. In general, it means any act against law, policy or rules within an intention to get financial gains is termed as financial fraud- Fraud means any act intentionally performed to get illegal or unfair advantages by using deceptive means (International Standard on Auditing, 2004). In other words, fraud means the misrepresentation of facts deliberately resulted in the monetary loss of another person (https://internalaudit.ku.edu/what-fraud).

RBI, an apex bank for all banks discovered that fraud means omission and commission deliberately performed by any person related to banking transactions or in books of accounts maintained either manually or through computer system results in an unlawful gain to fraudsters for a temporary period with or without monetary loss to the bank (Reserve Bank of India, 2016).

So, it can be said that fraud means any act performed intentionally to get the unlawful advantage of persons who suffered due to these acts. Frauds can be civil or criminal wrong. In case, if fraud is considered to civil wrong, then the victim of fraud can sue fraudsters to get compensation from him/her (Idowu, 2009). In case, if it is criminal wrong, fraudsters can get punishment by the Government authorities, and if sometimes, fraud victims did not suffer from any loss due to fraud. But still, in that situation, it is either considered as a civil wrong or criminal.

### 1.1 FRAUD TRIANGLE

**a. Opportunity** – Opportunity here means a perceived opportunity. It includes means or methods used by fraudsters to commit fraud. Various factors that are responsible for committing fraud include lack of effective system, lack of proper governance system (Abdullahi et al., 2015). In the accounting context, it is known as internal control weaknesses and employees working in the organization will take advantage of these weaknesses to perform fraud. Lesser the risk of being caught more will be the risk of occurrence of frauds. Also, other factors like assumptions of employees that employers are not aware of what they are doing or their assumption about their work are not checked regularly leads to such offense.

**b. Pressure or Motivation** -Need to own something but does not have money to own or purchase that motivates a person to do fraudulent activities. Here pressure means the motivation of performing unethical behavior to fulfill your own needs (Clinton, 2015). Generally, needs include financial needs or pressure of fulfilling the financial needs that motivate a person to do unethical acts.

**c. Rationalization** -It means justification given by fraudsters after fraud. Employers manipulated the accounts of the company to create a sound image in front of investors so that they invest their money in the company. This type of justification given by an employer after doing unethical acts comes under the category of rationalization (Clinton, 2015).

### 1.2 REPORTS OF VARIOUS SURVEYS RELATED TO FINANCIAL FRAUDS

**1. India Fraud Survey Edition 1, 2014** - As per the India Fraud Survey Edition I, it was found that majority i.e. 56% of respondents felt that cases of fraud will continue to rise in the upcoming two years. It was also found by the survey that organizations mainly faced three types of frauds in the majority, diversion or theft of funds or goods was on top, then bribery/corruption, and last but not the least was regulatory non-compliance. As per the responses of respondents, it was concluded that senior management considered being the main susceptible party in perpetrating frauds. Survey results also highlighted the reasons behind fraud. Some of the reasons that were on top as per the responses of respondents were-Inefficiency of mechanisms used for preventing and detecting frauds, inefficient internal control systems. Results of the survey indicated that the internal control system continued to be the most effective tool used for the detection and prevention of fraud. Also, survey results found some other tools like whistleblower hotlines, IT controls/Data Analytics (Forensic Analytics) as important as the internal control system in the prevention & detection of frauds. Whistleblower hotlines are considered to be an effective means used for the detection of frauds globally as well (Deloitte, 2014). Survey results found that data analytics or Forensic Analytics used as an important or effective tool in the detection of frauds. It was found by the survey that Forensic Analytics is helpful in the detection of frauds like Financial Statement Frauds, Misappropriation of Assets, counterfeiting, e-commerce frauds, etc. But the main challenge faced by an organization while using the Data Analytic tool was the lack of skilled resources required for managing Data Analytics regularly. So, overall survey results considered forensic data analytics and Whistleblower hotlines as an important tool used for detection and prevention from frauds.

**2. PWC Global Economic Survey, 2016**-Results of the survey found that more than one-fourth of the organizations in India affected due to economic crime. The majority of the respondents felt that the main reason behind the increase in economic crime was the lack of skills and lack of resources of law enforcement agencies used for investigation of such crimes (PWC, 2016).

Out of all economic crimes, majority i.e. 71% of the respondents taken for the survey said their organization experienced asset misappropriation in the last 2 years. 24% of respondents experienced accounting fraud in the last 2 years. 14% of respondents stated that there was a loss of almost 1 million USD over the last 2 years due to economic crimes.

It was found by the survey results that the morale of the employees, strength of brand relationship with other businesses, and share prices were affected adversely due to financial or economic crime. The majority of the respondents believed that fraud was performed mainly by the internal parties.

**3. Financial and Corporate Frauds (July, 2016, ASSOCHAM)**

The survey focused on the role of corporate governance in preventing and detecting fraud. The results of the survey concluded that cases of financial fraud increased in the last few years.

**4. India Corporate Fraud Perception Survey, Edition III (2018)**

As per the Deloitte Survey (2018), it was found that fraud cases continued to be on the rise and it will rise in the future as well. Survey results found three main behind the occurrence of frauds, this were-Inefficiency of the internal control system or compliance system, diminishing ethical values, senior management over-ride of control. As per the responses of respondents, the main susceptible parties who carried out frauds were employees working on either junior or middle level. Their primary motivation for committing frauds was improving their financial positions and to fulfill their personal needs.

Survey results found three main measures taken by the organizations to prevent from frauds were- periodical audit or internal audit on a periodical basis, taking the help of independent auditors to conduct audit periodically, take serious action against the person who committed frauds & set an example for others so that such types of incidents will never occur in future. Survey results also considered ethical culture at the workplace as an important way to prevent from frauds. But here, it is important to create an ethical culture at the workplace. As per the responses, three measures that should be taken by any organization to create ethical culture are- linking unethical behavior with penalties, creating a positive or open environment at the workplace so that all employees are free to discuss their issues/problems, organize training programs & arrange reading material such as case studies at workplace related to how ethical behavior apply in the corporate world. Survey results concluded that various tools or techniques like reliance on control based reports generated by ERP system, risk-based approach for analytics, and data mining technique, traditional statistical analysis tools are very helpful in mitigating fraud risks.

## 2.0 RESEARCH METHODOLOGY

While writing any research paper, one thing which is very important is to decide about the research methods, techniques and research design to be used in the present study. In the present study, descriptive research design was used as researcher already known about the problem. Data for the study was collected through secondary sources i.e. various articles or papers on similar topics from various journals.

### 2.1 OBJECTIVES OF THE STUDY

1. To analyze three major financial scams Sahara Scam, Satyam Computers Scam and Nirav Modi Scam to discuss the importance of ethics and corporate governance practices in an organization.
2. To give suggestions to reduce the number of financial scams in India

## 3.0 MAJOR FINANCIAL CRIMES IN INDIA

### 3.1 SATYAM COMPUTERS SCAM

Satyam computers were considered to be the major player in IT Industry before 2009. But in 2009, a case of financial crime came into light. This crime raised various questions over the role of CEO in taking their organization to the path of success and also their relationship with board members & committees. Satyam CEO, Mr. Raju Ramalingam himself took the responsibility of this financial crime (Mishra, 2014). To commit the fraud, the CEO of the Company did numerous financial or accounting irregularities in books of accounts that resulted in overstatement of revenue and profits. A cash balance of around $1.04 billion was also reported in the balance sheet which did not exist in reality. All irregularities did for the purpose of deceiving the company's board, senior managers & auditors for their benefit to earn more income (Bhasin, 2016)

The main reason behind Mr. Raju perpetrated this fraud was his greed for money, power, competition, prestige, and his love for the land. His greed to own more & more resulted in Satyam Scam. To fulfill his own motive to earn more & more, Mr. Raju violated all duties imposed on him as a fiduciary, violated ethical standards, and did not fulfill his obligation towards society.

In 2009, Mr. Raju Ramalingam disclosed in a letter that he used to manipulate accounts of the company for several years. Through the study by Bhasin (2016), it was found that net sales of the company were increasing at an average rate of 38% from 2003 to 2008. Profits of the company also increased at a growth rate of 33%. Due to this reason, Company generated significant growth and shareholder value and it became a leading star in the market. But it did not continue for a long time because Mr. Raju confessed his crime in 2009.

Assets of the company overstated by $1.47 billion out of which $1.04 billion was shown as the amount of cash and bank loan which did not exist in reality. Mr. Raju did not report several liabilities and also overstated income in almost every quarter to meet the expectations of shareholders (Bhasin, 2016). Various techniques were used by Mr. Raju and the company's head of Internal Audit to perpetrate fraud. Mr. Raju used his personal computers to create fake bank accounts and showed it on the asset side. Interest from these bank accounts was treated as income and increased income as well.

Mr. Raju also revealed that he had created around 600 fake payroll accounts by creating fake employee's ids and details (Bhasin, 2016). Money or income was overstated through bank interest used in paying salary to the employees. Company global head of Internal Audit created various fake customer identities and fake invoices generated in their names to inflate or overstate revenue. Fabrication of revenue figures was quite easy in his opinion and this was done by creating fake customer ids. But to fabricate expenditure figure was not an easy task. Due to this reason, the difference between actual profits and book profits increased. To fill this gap, he planned to buy two investment companies i.e. Maytas Infrastructure and Maytas Properties. In this way, profits earned through the overstatement of income & revenue absorbed through self-dealing process (Bhasin, 2016).

In addition to the CEO role in committing this crime, external auditors equally responsible to make all these things happen. Global auditing firm named Price Waterhouse Coopers (PwC) used to audit or check the books of accounts of Satyam for several years i.e. from 2000 to the year fraud took place. But it failed to detect financial fraud. As we all know that external auditor signed the company's financial statement and assure that it provides a true & fair view about the profitability & financial position of the company (Khurana, 2016). In this context, PwC signed the company's financial statements and was equally responsible for the fraud. If there is an excess amount of cash in the balance sheet, it should be the responsibility of the auditor to cross verifies it. But PwC neither verify it nor checked it. Also, it did not check the authenticity of bank accounts, customer ids, and employee's payroll account. So, it was either said negligence on the part of the auditor or auditor also involved with Satyam CEO in perpetrating the fraud.

Let us have a look on the actual values and reported values of Balance Sheet items-

TABLE 1

| Particulars | Actual Values | Reported Values | Difference |
|---|---|---|---|
| Cash & Bank Balance | 321 | 5361 | 5040 |
| Accrued Interest on FD's | Nil | 376.5 | 376 |
| Understated Liability | 1230 | None | 1230 |
| Overstated Debtors | 2161 | 2651 | 490 |
| Total | | | |
| Revenues (Q2 FY2009) | 2112 | 2700 | 588 |
| Operating Profits | 61 | 649 | 588 |

Source- Bhasin (2016)

**Methodology used for Satyam Scam**

- Manipulation of accounts in almost every quarter by overstating income or revenue and understatement of expenses
- Creating fake invoices & bills by creating fake customer identities to inflate revenue
- Creation of around 356 investment companies to divert funds from Satyam to these investment companies (Bhasin, 2016).
- Creation of fake employee's payroll accounts with the help of internal auditors
- Tunneling strategy followed by Satyam CEO to earn more. The tunneling strategy means reducing the holdings in the company by promoters. Promoters of Satyam sold their holdings in the company which was 25.6% in March 2001 and it reduced to 2.18% in Dec 2008. To reduce their holdings, promoters and their family members sold nearly about 3.9 crore shares and earned about 3029.67 crores. In this way, promoters manipulated stock prices and were considered to be the nastiest type of insider trading for the company's shares performed to earn large sum of money.

These were some of the ways adopted by Mr. Raju to commit this fraud.

**Actions by Government and SEBI**

After the Satyam Scam, the Government of India took quick action to protect the interest of investors and to safeguard the credibility & image of the country worldwide. Some of the steps taken are-

- Revision of corporate governance requirements by SEBI and adoption of International Financial Reporting Standards (Bhasin, 2016).CG reforms include-appointing independent directors, disclosing all mortgaged or pledged securities if any, adoption of IFRS, and increased disclosure of financial accounting.
- As promoters of the Satyam sold their shares from 2000 to 2009, SEBI asked all these promoters to deposit their unlawful profit amounting to Rs. 1850 crore with 12% interest within 45 days. In addition to this, they are restricted to do any trading in the securities market in the next 14 years (Khurana, 2016).

**3.2 SAHARA SCAM**

Another biggest corporate scam in the history of India was Sahara Scam. This scam was about issuing optionally fully convertible debentures to the public to raise money from the public in an illegal manner. Scam involved rupees 24000 crores collected from about 3 crore investors by issuing optionally fully convertible debentures. Two companies of Sahara were involved in the scam named Sahara India Real Estate Corp Ltd. and Sahara Housing Investment Corp Ltd (Rao, 2015).

Both companies illegally issued debentures to collect investor's money. But in against this, SEBI received a complaint from two of its investors in 2009. After investigation, it was found that funds were collected by issuing OFCDs, and to issue this, a copy of Red Herring Prospectus was filed with the Registrar of Companies. But it did not take permission from SEBI. Any company if issued securities to more than 50 investors, then there will be the need to take permission from the SEBI for the same but Sahara did not take permission from SEBI and it issued OFCDs to near about 3 crore investors (Pande, 2014).

To protect the interest of investors, in 2010, an interim order was issued by SEBI against two Companies of Sahara to refund the amount of its investors. But Sahara did not respond to SEBIs orders. So in 2011, a final order was issued and Sahara challenged this order in Securities Appellate Tribunal (SAT). But the decision of SAT was in favor of SEBI. SAT ordered Companies of Sahara to repay the amount of 25,781 crores to its 3 crore investors.

Then Company moved to Supreme Court and then SC ordered Sahara to refund its investor's money and deposit all money to SEBI. In August 2012, SC ordered Companies to refund its investors' money and all provide details of all its investors to SEBI. But the company did not respond against SC order. SEBI again moved to SC and in Dec 2012, SC issued strict order against two companies of Sahara to refund the amount of its investors in 3 equal installments amounted to rupees 5120 crores (Mahajan, 2016). Sahara deposited the amount of the first installment with SEBI but failed to pay the remaining installments. Also, Sahara announced it already repaid the amount of US $3.9 billion to its investors to save itself from the penalty of US $840 million (Kanteti, 2015). But SEBI did not convince by Sahara's claim and issued orders against Sahara in Feb 2013 to attach all its bank accounts details and other properties used to refund the amount of its investors. SEBI, later on, found that Sahara overvalued the amount of its assets as well as did not attach the true title of deeds of its properties. Also, Sahara did not deposit the remaining money in SEBI and missed his Supreme Court hearing. In against this, Supreme Court issued non-bailable warrant against Subrata Roy. But the Chairman of Sahara by using his political connection always denied all charges. But in 2014, the game of cat and mouse came to end. In Feb 2014, Subrata Roy was arrested by the police of Lucknow.

**3.3 NIRAV MODI SCAM**

Another major scam that took place in the year 2018 was Nirav Modi Scam. This scam considered to be the biggest scam in Indian history took place in 2018 when a diamond jeweler Nirav Modi committed a fraud of rupees 11450 crores to PNB only and an additional 3000 crore to other banks (Shah, 2019).

**Modus operandi** -PNB through SWIFT trial found that one junior branch official at Brady House branch Mumbai issued various letter of undertakings to some Companies belonged to Nirav Modi groups in an unauthorized manner. But none of the transactions were routed through CBS system, thus it becomes difficult to detect all these fraudulent activities in an early stage. The same modus operandi used by officials of the same branch to some Companies belongs to Gitanjali Gems Ltd (Nair, 2018). In Jan 2018, three jewellery firms named M/S Diamonds R US, M/S Solar Exports, and M/S Stellar Diamonds were approached to PNB for buyer's credit to make payment to its overseas suppliers (Nair, 2018). Official handled the matter wanted 100% cash margin against this credit as there was no pre sanctioned limit fixed against these firms. So they need to maintain a cash margin to get credit. But the firm officials said they had already been applied to such type of credit in the past. But there were no records found in books of accounts in this context (Nair, 2018). So, PNB filed a complaint against these firms and their partners. PNB through SWIFT Trial found that one junior branch official at Brady House branch Mumbai issued various letters of undertakings to some Companies that belonged to Nirav Modi groups in an unauthorized manner. But none of the transactions routed through the CBS system and thus it becomes difficult to detect all these fraudulent activities in an early stage. After the complaint, a preliminary investigation was conducted and as per the investigation, it was found that two officials at PNB Hardy Branch were involved and they were issuing a Letter of Undertakings to these firms without following any due process (Nair, 2018). Letter of Undertakings issued was then transferred through the SWIFT Messaging system and credit was granted against these LOU's to the firm.

The researcher now analysis the entire case with the help of the 5W2H process to better understand it.

TABLE 2

| | | |
|---|---|---|
| What | What happened? | In mid-Feb, officials of PNB reported a fraud amounting to rupees 11,400 crores in its Mumbai branch. In this context, a complaint was filed in CBI. It includes the name of the high profile jewelry merchant and its firms. |
| | What is the problem? | PNB Officials issued various Letters of Undertakings to Nirav Modi and its associates to take credit from overseas to make payment to its suppliers (Gayathri & Mangaiyarkarasi, 2018).<br>Letter of Undertakings acts like a guarantee by PNB to foreign branches of Indian Banks and based on this, they granted credit to PNB in the dollar and these funds were moved to overseas parties. |
| | What is the scope of the problem? | A massive amount of rupees 11400 crores was reported by PNB to CBI at the end of Jan 2018. It affects various industries like jewelry industry, banking industry, and insurance industry. In addition to this, due to this fraud, the creditability of various public sector banks and regulatory authorities like RBI & SEBI was questioned by the public. |
| When | When the fraud took place? | In 29/01/2018 PNB filed a complaint against Nirav Modi Companies<br>04/02/2018- After filing the complaint, CBI took action and a lookout notice against Nirav Modi issued (Gayathri & Mangaiyarkarasi, 2018).<br>5/02/2018- initially, PNB informed stock exchange about the fraud<br>14/02/2018- In mid of Feb, PNB informed stock exchange about the magnitude of the fraud |
| | When did the fraud start and stop? | As per the complaint to CBI, it was found that two junior officials engaged in issuing this Letter of Undertakings to Nirav Modi and its associates for seven years. Initially, it started in the year 2011. But in 2018, one of the officials got retired and in Jan 2018, Nirav Modi and its associates asked for a fresh guarantee. But the new PNB employee asked for collateral security. Then officials of Nirav Modi & Company replied that they never asked for such collateral security in the past. So this matter came into light and the bank asked for an investigation. After investigation, it was found that there were hundreds of such LOU's (Gayathri & Mangaiyarkarasi, 2018). |
| Who | Who faced the problem? | PNB faced the problem and also a loss amounting to rupees 11,400 crores suffered by PNB (Gayathri & Mangaiyarkarasi, 2018). |
| | Who reported the problem? | This matter came into light in Jan 2018 and the same reported to RBI and CBI by PNB. |
| | Who are the parties involved in the scam? | Nirav Modi and his partners<br>Two officials of PNB Mumbai Branch |
| Where | Where the scam took place? | It took place within the operating environment of PNB Mumbai Branch by its two junior officials. |
| How | How much was the loss from the fraud? | Approximately 12,000 crore |
| | How many instruments used to commit fraud? | It includes three main things -First was Letter of Credit, the second was Letter of Undertakings which all were faked, and the third was the SWIFT network (Gayathri & Mangaiyarkarasi, 2018). |
| | How fraud occurred? | Two junior officials who were involved in scam used SWIFT directly. SWIFT is a global messaging service used for moving millions of dollars across borders. But the bank officials did not record this transaction in CBS I.e. Core Banking System which generally processed all transactions related to banks on daily basis and also update information based on these records (Gayathri & Mangaiyarkarasi, 2018). |

**Source –** Gayathri & Mangaiyarkarasi (2018)

**Impact of Nirav Modi fraud on various industries**

**A. Impact on Banking Industry -** In addition to PNB, there are some other banks that all are affected due to fraud.

- **Impact of fraud on PNB-** PNB net profit of the third quarter in the financial year 2018 was rupees 230.11 crores and the amount of all fraudulent transactions were around 50 times its net profit. It was a massive amount of loss to PNB (https://www.ndtv.com/business/fy18s-biggest-banking-frauds-punjab-national-bank-pnb-state-bank-of-india-sbi-1828884).
- **Union Bank of India -** There was a net loss amounting to rupees 1249.85 crore to Union Bank of India in the third quarter in the financial year 2018 due to the occurrence of fraud. Also, the NPA percentage increased to 13.03% in Q3FY18 as compared to 11.7 percent in Q3FY17.
- **Allahabad Bank-** There was a net loss amounting to rupees 1263.79 crore to Allahabad Bank in the third quarter in the financial year 2018 due to the occurrence of fraud. Also, the NPA percentage increased to 14.38 percent in Q3FY18 as compared to 12.51 percent in Q3FY17 (https://www.ndtv.com/business/fy18s-biggest-banking-frauds-punjab-national-bank-pnb-state-bank-of-india-sbi-1828884).
- **Axis Bank-** There was no loss to the bank due to the occurrence of fraud. But, NPA percentage increased to 5.3 percent in Q3FY18 as compared to 5.2 percent in Q3FY17.
- **SBI Bank-** There was a net loss amounting to rupees 2416 crore to Allahabad Bank in the third quarter in the financial year 2018 due to the occurrence of fraud. Also, the NPA percentage increased to 10.35 percent in Q3FY18 as compared to 7.23 percent in Q3FY17.

**B. Impact of Nirav Modi Scam on LIC-** If we look at the undertakings of LIC in various institutions, then it is found that in 2017, LIC owned around 14 percent shares of PNB, 13.24 percent in Union bank of India, 13.17 percent in Allahabad Bank and also 2.88 percent in Gitanjali Gems. Due to fraud, there was a massive amount of loss to LIC and its amounts to rupees 1397 crores (Gayathri & Mangaiyarkarasi, 2018).

## 4.0 CONCLUSION

It is concluded from the study that financial fraud is a serious problem for the economy and it affects all types of organizations irrespective of their nature, size and types. The present study analyzed three major financial scams- Sahara Scam, Satyam Computers Scam and Nirav Modi Scam to discuss the importance of ethics and corporate governance practices in an organization. From Satyam Scam, it was found that this scam was the result of CEO i.e. Mr. Raju greed for money, power, competition, prestige, and his love for the land. His greed to own more & more resulted in Satyam Scam. To fulfill his own motive to earn more & more, Mr. Raju violated all duties imposed on him as a fiduciary, violated ethical standards, and did not fulfill his obligation towards society. Sahara scam was the result of raising money illegally from the public. Scam involved rupees 24000 crores collected from about 3 crore investors by issuing optionally fully convertible debentures. In against of this case, Supreme Court issued non-bailable warrant against Subrata Roy. But the Chairman of Sahara by using his political connection always denied all charges. But in 2014, the game of cat and mouse came to end. In Feb 2014, Subrata Roy was arrested by the police of Lucknow. Third case i.e. Nirav Modi Scam was the biggest scam in the history of India. The modus operandi used by Nirav Modi for this Scam was issuing of various letter of undertakings by one junior branch official at Brady House branch Mumbai to some Companies belonged to Nirav Modi groups in an unauthorized manner. These frauds or scams forced Government of India to take serious action against fraudsters for the purpose of protecting the interest of investors.

## 5.0 SUGGESTIONS

- To control or to reduce the number of financial frauds or scams, all banks should work together and also banks should check the credibility and all important documents while sanctioning loan to anyone.
- As the number of fraud cases are increasing continuously in India. So, it's time to modify the traditional and complex judicial system of India and try to make it free from corruption.

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# A STUDY ON TRANSACTION PURPOSE, BRAND EQUITY & BRAND INCLINATION IN ATHLETICS SECTOR

*SAYANI SAHA*
*ASST. PROFESSOR*
*ST. XAVIER'S UNIVERSITY*
*KOLKATA*

## ABSTRACT

*The problem of brand equity has emerged as one of the most vital areas for Marketing Management in the 1990s. Despite strong interest in the subject, there is little empirical evidence of how brand equity is created and what are its effects. This study explores some of the impacts of brand inclination. In particular, the authors examine the effect of brand equity on consumer preferences and purchase purposes. For comparative purposes, two sets of brands are examined, one from a service category characterized by fairly large financial and functional risk, and one from a generally lower risk product category. Each set includes two brands that are objectively related based on Customer Reports ratings, but they have invested considerably different levels of advertising spending over the past decade. Across both categories, the brand with the higher advertising budget yielded substantially higher levels of brand equity. In return, the brand with the higher equity in particular category generated significantly greater preferences and purchase purposes.*

## KEYWORDS

transaction purpose, brand equity, brand inclination, consumer preference.

## JEL CODE

M31

## INTRODUCTION

Domestic markets in developing nations for locally manufactured footwear have also grown, partly at the expense of developed nation exportation. These new trends have resulted in the establishment of relatively large-scale, capital-intensive manufactories. Local enterprises with limited access to technical knowledge have thus tended to adopt manufacturing methods similar to those in established factories, at the expense of technologies more suitable to local circumstances, especially at a low margin of production. So this project contains the research work related to brand preference and purchase intent of the customer relating to footwear, which everyone wears in their daily routine. As the world is turning into a global community, new products from abroad are finding their passage into the country, the trend of consumption by domestic people is changing becoming more inclined to buying foreign and international brands than the local ones since there is advancement in communications and information systems technology have shriveled distance and homogenized the values, taste, preferences, and attitudes of the world's population. It has now been observed that customers buy foreign brands more frequently than the local ones and feel proud in purchasing imported products Thus, it is interesting to study consumer brand preference taking age and gender as a baseline.

Brand equity provides a strong platform for organizing or introducing new products and insulates the brand against competitive inroads. From the perspective of trade, brand equity contributes to the overall image of the retail outlet. It builds store traffic, ensures consistent volume, and reduces the risk in allocating shelf space. None of this is meaningful, however, if the brand has no meaning to the consumer. In other words, there is value to the investor, the efficient manufacturer, and the retailer only if there is value to the customer. Thus, it is important to understand how brand value is created in the mind of the customer and how it decodes into choice behavior. The purpose of the present study is twofold:

1. To measure the equity of brands which vary along with selected criteria; and
2. To investigate the impact of brand equity on brand preferences and purchase intentions.

The study examines the equity of both products and services since the existing work on brand equity has focused almost exclusively on products and has failed to adequately consider service industries.

## REVIEW OF LITERATURE

Companies and brands that offered uniform and ordinary products for years have now multiplied their product ranges and new appealing styles, shapes and forms are being launched each season by them. Conceptual Framework Consumer spending in India can be classified into regular spending and lifestyle spends. Regular spending includes the basic requirements of life while lifestyle spending includes spending on a computer, internet, car, cell phone, etc. Individual consumers take different factors into consideration while purchasing any products, which is a necessity. The probable factors can be categorized into four groups- Product, price, promotion, and place. This study attempts to examine the brand preference and purchase intent in the footwear industry especially sports shoe footwear. India is the second-largest global producer of footwear after China, accounting for 13% of global footwear production of 16 billion pairs. India produces 2065 million pairs of different categories of footwear (leather footwear- 909 million pairs, leather shoe uppers- 100 million pairs and nonleather footwear- 1056 million pairs). India exports about 115 million pairs. Thus, nearly 95% of its production goes to satisfy its domestic demand. Customer buying behavior is influenced not by-product only but various additional marketing settlements like commercial films, brand ambassadors, offers, product highlights which leads to either increase or decrease in the sale of products. Consumer's perspective, preferences, intentions, and decisions concerning the consumer's behavior at the workplace are the total of customer's buying behavior. The study of customer behavior draws upon the social science disciplines of anthropology, psychology, sociology, and economics.

The Threat of New Entrants exercises a significant influence on the ability of current companies to generate value. When new competitors begin into an industry offering the same products or services, a company's competitive environment will be at risk. Therefore, the threat of new entrants refers to the strength of which new companies can enter into an industry. It could be **brand loyalty, cost advantages, government regulations, capital requirement, access to suppliers and distribution channels, retaliation, lack of technological access, high initial capital investment, low profit margin initially.**

## STATEMENT OF PROBLEM

A research problem is a specific issue, difficulty, inconsistency, or gap in knowledge that you will propose to address in your research. You might study for effective problems aimed at contributing to change or theoretical questions aimed at expanding knowledge. Bear in mind that some research will do both of these things, but habitually, the research problem focus on one or the other. The type of research problem you choose depends on your broad topic of concern and the type of research you want to do. This helps you identify and refine a research problem. When drafting your research proposal or introduction, you will have to express it as a problem statement and/or research questions.

The problem is Buying Behavior towards different branded shoes especially sports shoes. Many of us have research about the topic but no one is more specific about the related topic completely. The main problem is to collect data from different people of the different age group for that I have used the advance feature of Google that that is Google forms, that help me in preparing the questionnaire and send it to people of different age group ranging from 18 years to 50 years, to get the detailed analysis of the brand preference and purchase intent of the different segment of the target audience through a sample. (Sample is a part of the whole population among whom the survey is conducted).

## OBJECTIVES OF STUDY

1. To explore the factor impacting consumer footwear brand inclination keeping age and gender as a criterion to identify determinants in the decision-making process.
2. To identify which footwear brand is preferred among different age groups
3. To identify the least significant determinants that influence the consumer's footwear purchase decision
4. To explain the relationship between consumer's profile and brand inclination
5. To examine if there is a relationship within groups of consumers who purchase shoes together

## RESEARCH METHODOLOGY

### TOOL FOR DATA COLLECTION

The primary tool used for data collection is the questionnaire. Since it is an exploratory method, random simple sampling is what the most preferred tool to collect data from the various respondent of different age group at the same time to get to know about their perspective concerning different brand preference while purchasing sports shoes. Proper modifications were made to fit the current research context and purpose. This method has the advantage of speed, being less costly and that the researcher has control over respondent type. 100 questionnaires were distributed among different age groups people to check their brand preference. Out of 100, only 80 responded to the given set of questions. Those 80 include students, working people, and sportsperson. The questionnaire includes several questions with different options to choose the most preferred answer. Whether the respondent is a loyal brand customer, which brand shoe they prefer the most, what drives them to look after a particular brand, what is the most eye-catchy particular that influences them to buy a certain product over others. Research methodology used is exploratory research that is defined as research used to examine a problem that is not clearly defined. It is conducted to have a better understanding of the problem of the existing issue, but will not provide conclusive results. For such research, a researcher starts with a general idea and uses this research as a medium to identify issues that can be the focus for future research. An important aspect here is that the researcher should be prepared to change his/her direction subject to the revelation of new data or insight. Such research is usually carried out when the problem is at a preliminary stage.

**Sampling Plan Sample Method- Random Simple Sampling**

Sample size - 100, Responses – 80, the primary tool for data collection – Questionnaire

## RESULTS & DISCUSSIONS

### DATA ANALYSIS

The collected data through questionnaire would be analyzed with respect to individual questions that has been responded by the sample population.

**1. Most of the respondent** is male as compared to females.

**Pie Chart 1**: The Pie Chart signifies the available information through the sample survey, which differently allocate the available responses in two different categories with the percentage shown if the total response available.

**PIE CHART 1**

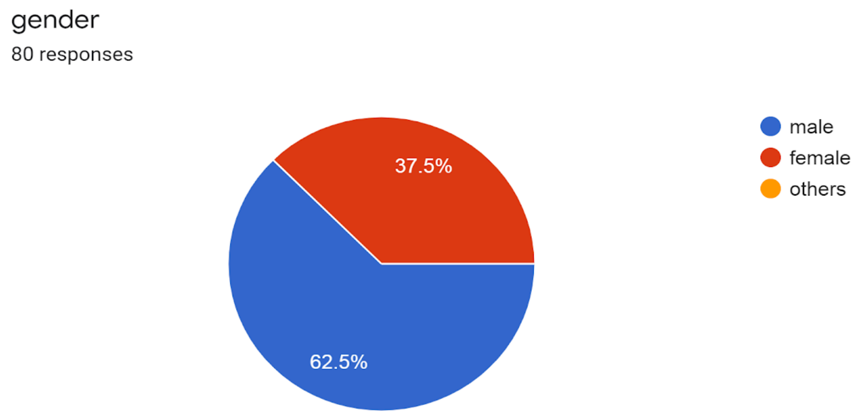



**TABLE 1: DEPICTING PREFERENCE OF GENDER TOWARDS SPORTS SHOES**

| Serial no. | Gender | Response |
|---|---|---|
| 1 | Male | 50 |
| 2 | Female | 30 |
| **Total** | | **80** |

Since most of the boys preferred to wear sports shoes as compared the female candidates, so the maximum number of respondents were male candidates as questionnaire was circulated among 50 males and 50 female candidates.

Advertising and content targeting depends on these types of questions. Customer survey questionnaires heavily depend on demographic questions. If your questionnaire results tell you that 62.5% of your respondents are Males in the various age group, your advertising would focus on that age and gender group as they would make up a large portion of your customer base. In influencing the choice of a particular brand it is very necessary to develop a brand promotion technique and effective strategies to reach the target audience. The company can use various other methods of sales promotion to reach the male preferred target audience.

**2. AGE GROUP**

**Bar Graph 1**: The bar graph is the result of the questionnaire that is showing the maximum number of respondents is from the age group of 20 years- 22 years preferably the students, and sportsperson they prefer to buy more of sports shoes for their different routine schedule.

**BAR GRAPH 1**

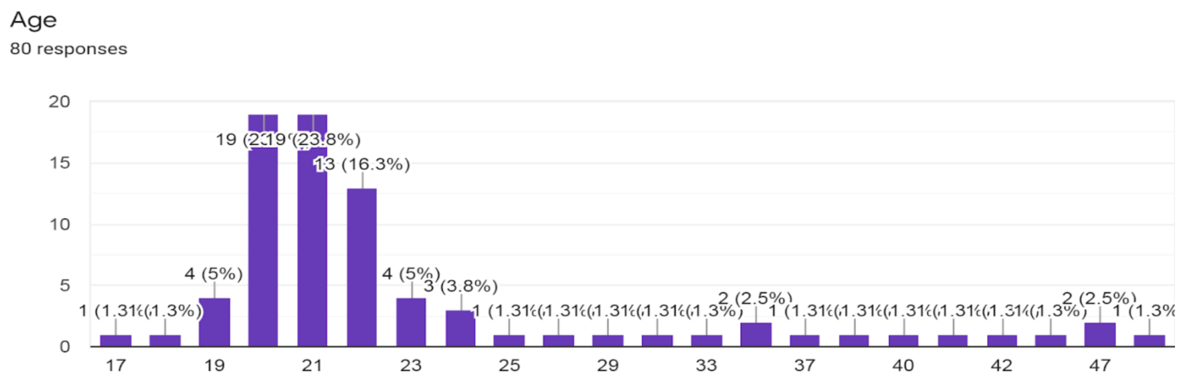



**TABLE 2: DEPICTS THE DIFFERENT AGE GROUP RESPONSES TO THE GIVEN QUESTIONNAIRE**

| Serial no. | Age | Responses |
|---|---|---|
| 1 | 17 | 1 |
| 2 | 18 | 1 |
| 3 | 19 | 4 |
| 4 | 20 | 19 |
| 5 | 21 | 19 |
| 6 | 22 | 13 |
| 7 | 23 | 4 |
| 8 | 24 | 3 |
| 9 | 25 | 1 |
| 10 | 26 | 1 |
| 11 | 29 | 1 |
| 12 | 31 | 1 |
| 13 | 33 | 1 |
| 14 | 34 | 2 |
| 15 | 37 | 1 |
| 16 | 39 | 1 |
| 17 | 40 | 1 |
| 18 | 41 | 1 |
| 19 | 42 | 1 |
| 20 | 43 | 1 |
| 21 | 47 | 2 |
| 22 | 49 | 1 |
| **Total** | | **80** |

**3. OCCUPATION**

**Pie Chart 2**: The Pie Chart shows the figures relating to various occupations that the respondent is pursuing.

**PIE CHART 2**

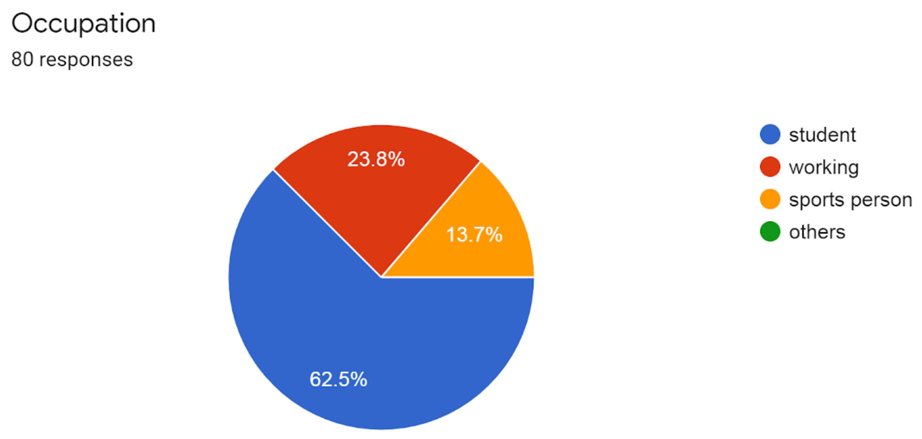



**TABLE 3: DEPICTS RESPONDENT'S OCCUPATION**

| Serial no. | Occupation | Response |
|---|---|---|
| 1 | Student | 50 |
| 2 | Working | 19 |
| 3 | Sportsperson | 11 |
| 4 | Others | 0 |

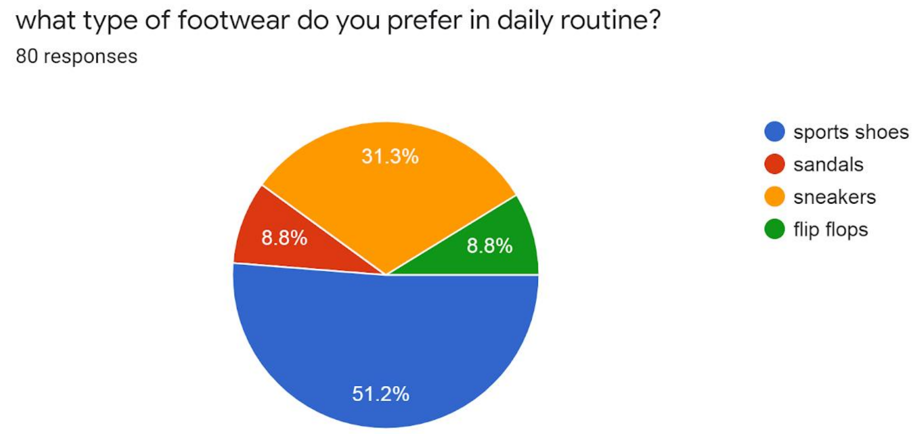
As we can clearly see the responses are divides basically among the 3 categories and the majority of the respondents belong to student's category than working than sportsperson. In order to reach the desired target audience, the company should undertake relevant factors in influencing the majority of the target audience. Since the questionnaire is responded more by the male category and belongs to student as their occupation. In order to derive customer base company should use the factors which influence the students to look after your product which may be design, verities; celebrity faces to the product etc.

School, college, University students are one of the usual interesting markets to target. They don't have as much disposable income and are particular when using it. For any company, having their business is advantageous. It provides a foundation for life-long usage. You must establish a connection early on to secure their business. It's possible to abide true to your company while marketing to the target audience. Everyone loves to wear new shoes when they see in the market so to attract them constantly, company should use judicial source of sales promotion and techniques to overcome their competitor's unique proposition.

**4. FOOTWEAR INCLINATION**

**Pie Chart 3:** The Pie Chart shows the correct figure of the available data that is which type of footwear is most preferred among the audience.

**PIE CHART 3**




The most preferred footwear is sports shoes than sneakers than sandals and flip-flops. sports shoe is preferred by both male and the female of the different age groups for various purposes according to their convenience, from the questionnaire it is clearly defined that sports shoes make comfort and quality that is desired by the sportsperson for their various activities what they are getting from the sports shoe is more suitable than any other footwear. Sneakers are generally preferred by a majority of the student candidates who prefer it while performing day to day activities. while sandals are most suitable for the female candidates as they take the majority of the option in sandal, coming to the flip flops this footwear are majorly responded by the rural people or working population or upper class in villages who are used to local manufactured 'chappals' that is most suitable for their daily routine work.

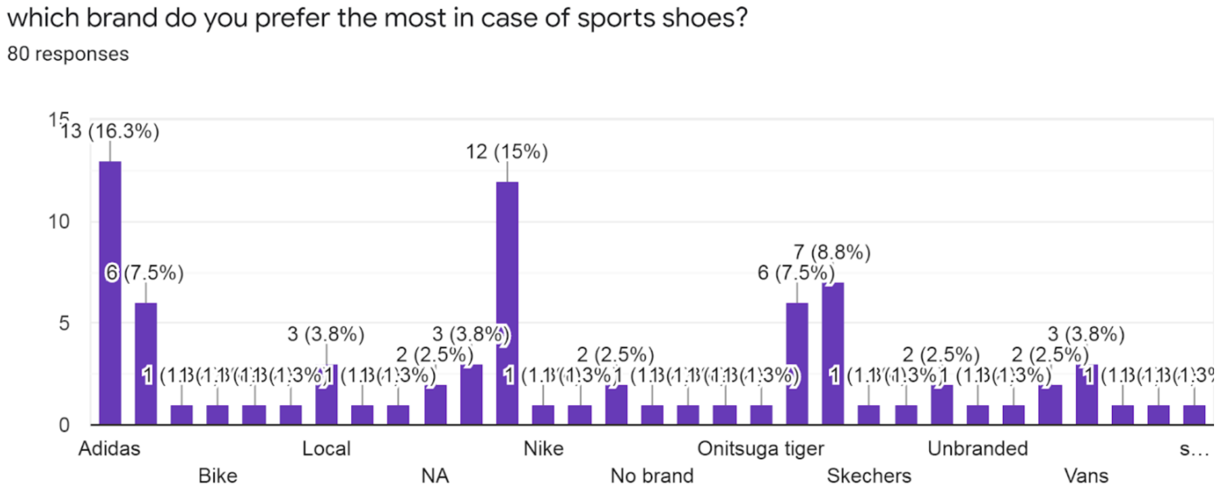
To gain more coverage of the target, audience companies should look after different places different strategies addressing every community for what they are demanding irrespective of the factors affecting its presence at different levels. The company should hire various promotion techniques taking into consideration the relevant factors that influence the target customer to look after the product. Whether it is chappals in rural districts or high comfort sports shoes for the sportsperson.

Pricing plays a vital role in valuing different sectors of the footwear consumers as in sportsman is ready to pay a high value for the product if they are getting the desired level of benefit and comfort, whereas for the student it is difficult to look over such an expensive shoe for the daily routine not being an athlete performing sports activity. Next comes the rural market, they use their footwear in a very harsh manner irrespective of their usage they prefer it to only some extent with the mindset to change it after the small interval, so it is necessary to allocate price tags according to the mindset of the target audience while taking into account several other factors as well.

**5. MOST PREFERRED SPORTS SHOE BRAND**

**Bar Graph 2**: The bar graph below shows the number of preferred brands by the individuals.

**BAR GRAPH 2**




While looking for the most preferred brand there was a tuff competition between the two brands Nike and Adidas, but the most preferred brand is Nike with the response of 15 individuals looking up for this brand while making a purchase decision. Nike is preferred by both male and female candidates for their footwear preference. All category respondents whether student, working or sportsman has given their favor to Nike as the best product fits their personality. Adidas was largely preferred by the students who like sneakers for their day-to-day activities and are loyal to their brand sometimes. Coming up to more brands Reebok, Puma, Asics also getting tough competition among them, as Reebok and Asics are majorly preferred by the sportsman and students, as they are getting best out of it whether the purpose derived is for sports activities, gymming and running. The quality is perfectly designed for the athletes. Whereas, Puma and Skechers are preferred by the female candidates for their footwear essentials. According to them, they are getting best in shape, design, and value for money moreover, these brands also allocate the majority of their brand promotion to capture female users as their target audience. Skechers is preferred by female sports athletes that help them in performing various sports activities.

Brands such as New Balance, Onitsuka Tiger, and Under Armour are less popular in Indian marketplace but some of the sportsmen find them interesting and more comfortable for their desired sports activities. 2 of our respondents from North America stated that these brands are very common here in USA and Canada, but their reach is less in Indian sub-continent but people are getting aware of the better-suited brands in different footwear.

Coming up next to local brand or no branded products 11 of the total candidates look after these brands especially in rural areas where they prefer to wear chappals and use of local qualified brands. The selection is made among the relevant options depending on the quality and comfort of the footwear.

Bata, Bike, Converse, and Zara these brands are not that popular in the Indian market in terms of shoes and other footwear. They generally deal with sneakers and formal shoes which is not our area of research and are less popular among the sports shoes preferred industry.

## CONCLUSION

It can be concluded from the above research paper that there has been a striking change in the shoe industry and the buying behavior of youth has been affected by many factors like design, color, brand image, discounts, special offers, price, etc. There has been a variety of shoes like Sportswear, Casual wear, and other footwear. Youth is aware of many brands of shoes like Nike, Adidas, Reebok and Puma.56% of people prefer to buy shoes from reputed brands. Quality is the main factor in which youth prefer mainly to buy shoes. The most of Electronic Payment System used by most of Youth is Cash on Delivery. People find online buying more attractive due to easy return policy, a wide range of products, low costs & so on. The demand for various shoes has been drastically shifted to the major account of the many people who prefer to wear sports shoes over any other type of footwear. Sportsman is the one who is the loyal brand customer and constantly consuming the same brand taking into account the quality factor. Whereas college student likes to wear sneakers which allow them to access various designs and a large range of varieties. Female respondent is the one who likes to wear sandals as their main footwear and they are the one who is targeted for this kind of product at large.

Coming next to rural areas or villages where people prefer flip-flops 'chappals' for their routine work, that of low or moderate price range and from the local retail shops. Their main preference is to use them on daily basis without any significance to other factors such as quality, design. The most preferred source to buy footwear is online; the majority of the population has shifted to the online portal to buy maximum belongings. Nike is the most preferred sports shoe giving tough competition to Adidas. Other companies which are targeting the sportsman are getting their share from them.

The companies should hire various promotion techniques taking into consideration the relevant factors that influence the target customer to look after the product. Whether it is chappals in rural districts or high comfort sports shoes for the sportsperson. Every factor makes a separate approach of the buyer, being a seller the companies should consider each of them positively to gain maximum profit margin with customer satisfaction in the long run. The companies should gain conceived value proposition through various live events influencing customers in public places. Celebrity image with the brand has less influence over the candidates.

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# FINANCIAL PERFORMANCE ANALYSIS: A COMPARATIVE STUDY OF HIMACHAL PRADESH STATE CO-OPERATIVE BANKS AND REGIONAL RURAL BANKS IN HIMACHAL PRADESH

*Dr. SANJEET SHARMA*
*ASST. PROFESSOR*
*UNIVERSITY COLLEGE OF BUSINESS STUDIES*
*HIMACHAL PRADESH UNIVERSITY*
*SHIMLA*

*SHEELA DEVI*
*RESEARCH SCHOLAR*
*DEPARTMENT OF COMMERCE*
*HIMACHAL PRADESH UNIVERSITY*
*SHIMLA*

## ABSTRACT

*The present paper attempts to study the financial performance of HPSCB and RRB's in Himachal Pradesh. The study covers the period from ten years, i.e., 2007-08 to 2016-17. In the present study, to know these two banks' financial performance in the State of Himachal Pradesh, various parameters such as Debt coverage, Balance sheet, Management Efficiency, Profitability, Employee efficiency, and Non- performing assets parameter, etc. have been taken. The study is mainly focused on secondary data. Data has been analyzed with the tools such as mean, Standard Deviation, Covariance, and T-test. The present paper is conducted to study the financial performance of HPSCB and RRB's in Himachal Pradesh. The study covers the period from ten years, i.e., 2007-08 to 2016-17. In the present study, these two banks' financial performance in the State of Himachal Pradesh is assessed with various parameters such as Debt coverage, Balance sheet, Management Efficiency, Profitability, Employee efficiency, and Non- performing assets parameter, etc. have been taken. It is found that the Term loan to total advances ratio, investment to deposit ratio, Return on assets, Profit per employee, Gross NPA to Gross Advances ratio, Gross NPA to Gross Assets ratio, Deposit to total liabilities ratio, and Cost of deposits ratio have been higher for Himachal Pradesh State Co-operative bank as compared to Regional Rural Bank during the study period. Demand and saving bank deposit ratio and Priority Sector Advances ratio have been found higher for Regional Rural bank than Himachal Pradesh State Co-operative Bank. In case of Interest income ratio, interest on their advances, the potential return on their investment, net worth, Cost of borrowing ratio to total borrowings ratio, cost of fund ratio, Net Non Performing Assets to Net Advances ratio, business per employees and Ratio of other income is not found any significant difference between both banks.*

## KEYWORDS
HPSCB, RRB, financial performance, debt coverage, management efficiency, profitability, employee efficiency.

## JEL CODES
G21, M10, M41.

## INTRODUCTION

The banking sector is the lifeblood of any economy. It is one of the essential factors of the financial industry, which plays a vital role in an economy's functioning. The Scheduled commercial banks are divided into SBI and its Associate's banks, Nationalized, Foreign banks, Private sector banks, and Regional Rural Banks. The first Regional Rural Bank was set with the name of 'Prathama Grameen Bank' at Moradabaad under Syndicate Bank's sponsorship. The bank's main purpose was the development of the rural poor by agriculture credit and other facilities, particularly to small and marginal farmers. The first RRB was set up as named 'Himachal Grameen Bank 'on 23rd Dec 1976 in the district of Mandi in H.P. under Punjab National Bank's sponsorship. The second bank was set up as named as 'Parvatiya Grameen Bank' in the district of Chamba1. It was established on 2nd Nov. 1985 under the sponsorship of the State Bank of India. Parvatiya Grameen and Himachal Grameen Bank were merged in the Year 2013, and the new bank 'Himachal Pradesh Grameen Bank' has been established, which was worked on the ratio of 50:15:35, i.e., the Central Govt. State Govt. and Sponsored banks. The agriculture sector has been benefited from co-operative banking since the inception of co-operative legislation. At the grass-root level, there are many co-operative societies that help solve the financial need of the rural people. District central co-operative banks help these societies to raise money by way of loans. There are State co-operative banks that are functioning at the Apex level. There is three-tier of co-operative societies which are functioning in the economy of Himachal Pradesh. At the time of independence and the formation of Himachal Pradesh In the year 1948, there were huge banking societies in the State, i.e., Mahasu Central co-operative bank, Chamba Co-operative bank, and Mandi Central co-operative bank. In 1954 they were merged with H. P. State Co-operative bank after recognizing the State of Punjab, Haryana, and Himachal Pradesh. Two other banks, i.e., Kangra Central Co-operative Bank and Jogindra Central Co-operative Bank, were set up in the particular area, which was transferred from Punjab to Himachal Pradesh in November 1966. In 1955, a joint-stock bank, i.e., Bank of Sirmour, was merged in it. At present, Himachal Pradesh State Co-operative Bank is performing a dual function, i.e., as an Apex co-operative and playing the lead role in Co-operative development in six districts of the State. It was registered on 21st August 1953 under the Co-operative Societies Act 1912 with Mahasu Central Co-operative and Chamba Co-operative bank merger.

## REVIEW OF LITERATURE

**Jain (2001**) done a comparative performance analysis of District Central Cooperative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat, and Rajasthan, and found that DCCBs of Rajasthan have performed better in terms of profitability and liquidity as compared to Gujarat and Maharashtra.

**Bansal (2005)** studied the impact of Liberalization on Productivity and Profitability of Public sectors Banks in India" and concluded that the State Bank of India remained the leader followed by SBOP in almost every years of the study.

**Dr. Pal & Singh, (2006)** in the study "Efficiency of Regional Rural Banks (RRBs) in India: A Conventional Analysis" assesses the growth pattern of RRBs; and found that the overall position of RRBs in India is not quite satisfactory due to the poor credit-deposit ratio.

**Mamatha, (2008)** in her study "Performance of Urban Co-operative Banks in Karnataka- A Financial Analysis" attempts to examine the financial performance, problems faced by the banks, and the growth of urban co-operative banks in Karnataka and concluded that the major problems of the banks are over dues, competitions from other commercials, private and public sector banks.

**Elango & Kumar (2009**) revealed that the new generation of the private sector and foreign banks are being fully aware of customer service. The study also suggests that the public sector banks should improve their approach towards customers to perform better.

**Selvakumar, (2010)** concluded that the performance of Regional Rural Banks in Tamilnadu State is much better as compared to the RRB's performance in India.

**Nikam, (2011)** has attempted the "Performance of the Himachal Pradesh Apex Bank" analyzed the performance of the Co-operative banking system in Himachal Pradesh, and concluded that the Apex bank has innovated and implemented the loan schemes where it suited to all the requirement of weaker section.

**Singh &Tondan (2012)** attempted to examine the financial performance of SBI and ICICI banks. The study concluded that SBI was financially sound as compared to the private sector bank ICICI.

**Ravindra, & Murthy (2013)** studied the "Performance & Evaluation of Urban Co-operative Banks in India" analyzed the performance of urban co-operative banks in India and concluded that the performance of Urban Co-operative banks had improved a lot.

**Nancy & Kanika (2013)** has conducted a study entitled "Financial Performance Evaluation of Regional Rural Banks In India" studied the growth pattern, financial performance of Regional Rural Banks from the period 2006 to 2012.

**Rao (2014**) attempted to analyze the performance of the Private and Public sector banking system and concluded that HDFC Bank was performing well and financially soundly than SBI but in the context of deposits and expenditure both banks have better managing efficiency.

**Singh &Pawan (2016)** concluded that the financial performance of HDFC banks is better than Punjab National Bank.

**Deep (2017)** concluded that the Regional Rural Banks conditions were not satisfactory before amalgamation but after amalgamation, the banks have achieved a significant reduction in their NPA and increased profitability.

**Kaur (2018)** has conducted a comparative study on the performance of the selected public sector and private sector banks in India. The study concluded that that the private sector banks are performing better than the public sector during the study period.

**Kumar (2019)** attempted in "A Study on Co-operative Banks in Himachal Pradesh with Special References to Lending Practices." The study concluded that a co-operative bank plays a significant role in the development of the State with increase branches of the bank in rural areas.

**K. Jyotirmay (2019)** in her study "Analysis of Financial Position and Performance of Public & Private sector Banks in India: A Comparative study on SBI and HDFC banks" studied the financial position performance and efficiency of the public and private sector banks. The study concluded that HDFC bank has higher net profit ratio, net profit per employees, assets turnover ratio, dividend per share and earnings per share, return on assets as compared to public sector bank State Bank of India.

## OBJECTIVE OF THE STUDY

The objective of the study is to compare the Financial Performance of the Himachal Pradesh State Co-operative and Regional Rural Banks in Himachal Pradesh.

## RESEARCH METHODOLOGY

The reference period is from 2007-08 to 2016-17. The study is mainly based on secondary data. The data was collected from the bank's annual reports and various internet websites. The financial performance of RRB and HPSCB has been shown with the help of parameters like Debt Coverage Parameters, Balance Sheet Parameters, Profitability Parameters, Employee Efficiency Parameters, and Management Efficiency Parameters. Data has been analyzed with the tools such as mean, Standard Deviation, Covariance, and T-test.

## FINDINGS OF THE STUDY

### DEBT COVERAGE PARAMETER

Debt coverage parameter focuses on bank's ability to fulfill demand of cash by their customers. It can also be considered as liquidity parameters. It contains the different ratios as under:

**TABLE 1: DESCRIPTIVE STATISTICS AND RESULTS OF T-TEST FOR DEBT COVERAGE PARAMETER**

| Type of Bank | Mean | Minimum | Maximum | Std. Deviation | Coefficient of variation (%) | Test of Homogeneity of Variance | | T-Test | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Levene Statistic | Sig. | t-Statistic | Sig. |
| **Investment to Deposit Ratio** | | | | | | | | | |
| **RRB** | 28.61 | 20.80 | 40.50 | 5.84 | 20.41 | 57.53 | .000 | -3.145 | .006 |
| **HPSCB** | 53.50 | 22.70 | 78.00 | 24.33 | 45.47 | | | | |
| **Credit to Deposit Ratio** | | | | | | | | | |
| **RRB** | 36.49 | 22.40 | 42.50 | 7.16 | 19.62 | .015 | .905 | -2401 | .027 |
| **HPSCB** | 44.24 | 33.30 | 53.20 | 7.2693 | 16.43 | | | | |
| **Demand & Saving bank deposit Ratio** | | | | | | | | | |
| **RRB** | 38.98 | 33.60 | 43.50 | 3.09 | 7.92 | 2.218 | .154 | 4.397 | .000 |
| **HPSCB** | 31.19 | 24.70 | 38.50 | 4.67 | 14.97 | | | | |
| **Deposit to total liabilities ratio** | | | | | | | | | |
| **RRB** | 2.08 | .70 | 3.30 | .80 | 38.51 | 1.973 | .177 | -8.653 | .000 |
| **HPSCB** | 4.58 | 4.00 | 5.10 | .433 | 9.58 | | | | |

Investment to Deposit ratio is one of the important ratios used for measuring the financial efficiency of the bank. Higher the ratio, better it is. The table reveals that the mean value of the investment to deposit ratio is 28.61% for RRB and 53.50%for HPSCB. As far as co-efficient of variation is concerned, it has been found lower for RRB in comparison to HPSCB. Further, table shows that significance level of Levene's statistics for equality of variance is equal to.000 so, the null hypothesis of equality variance between the banks is rejected. Therefore, it is assumed that variances of the population from which samples are extracted are not equal. Hence, the result of t-test for Investment to Deposit ratio is based on the assumption of unequal variances. The t value is found significant at 5% level of significance and the null hypothesis is rejected. Hence, it indicates that there is a significant difference in the financial performance of investment to deposit ratio between both banks. In this parameter HPSCB has shown better performance as compared to RRB. The mean value of credit deposit ratio is 36.49% for RRB and 44.24% for HPSCB. The null hypothesis of homogeneity of variance for the credit deposit ratio between the banks has not been rejected as the significance value of Levene's statistic has been found higher than 5% level of significance. Therefore, it is assumed that variances of the population from which samples extracted are equal and table shows the results of t-test for the assumption of equal variances. Further, t value is found significant at 5% level of significance. It indicates that there is a significant difference between the Credit to deposit parameter of both banks. It can be concluded that HPSCB has shown better performance as compared to RRB and the bank may be earned as much as they could be. The mean value of demand and savings bank deposit ratios of RRB has been worked out 38.98% whereas, the mean value of demand and savings bank deposit ratios of HPSCB is 31.19%, which depicts that it is higher for RRB. Further, table 1 indicates that the significance value level of Levene's statistics for equality of variances is equal to 0.154, which suggests that the null hypothesis for equality of variances is accepted. Therefore, it is assumed that variances of the population from which samples extracted are equal. It is clear from the table that the value of t-statistics for the ratio of demand and savings bank deposits is 4.397 and the p-value for the t-test is 0.000, which is less than 0.05. Hence, the null hypothesis has been rejected. RRB has been shown better performance in term of Demand and Saving bank deposit as compared to HPSCB, the mean value of the ratios of deposit to total liabilities is 2.08% for RRB and 4.58% for HPSCB. It shows that the mean value of the ratio of deposit to total liabilities is higher for HPSCB. The calculated values of coefficient of variation in the case of RRB are 38.51% and 9.58% of HPSCB. It reveals that the coefficient of variation is lower for HPSCB as compare to RRB. It clearly shows that the ratio of deposit to total liabilities is concerned HPSCB has been more consistent as compare to RRB. Levene's test is used to check the homogeneity of the variable for RRB and HPSCB. The null hypothesis of homogeneity of variance of population from which samples are extracted are equal and the null hypothesis of homogeneity of variance for the ratio of deposit to total liabilities between the banks has not been rejected as the significance value of Levene statistic is higher than.05. Hence, table 1 provides the results of t-test for the ratio of deposit to total liabilities for the assumption of equal variances. Further, t value is found significant at 5% level of significance. It indicates that there is a significant difference between the banks in terms of deposit to total liabilities ratio. Based on the above analysis, it can be concluded that the ratio of deposit to total liabilities is concerned, RRB has shown better performance as compared to HPSCB and the bank have the enough liquidity to cover any unforeseen fund requirement.

**BALANCE SHEET PARAMETERS**

These set of parameters evaluate the strength of bank's balance sheet. These are not only judge the assets and liabilities of bank's but also judge the priority sector advances, secured advances and term advances of the banks.

**TABLE 2: DESCRIPTIVE STATISTICS AND RESULTS OF T-TEST FOR BALANCE SHEET PARAMETERS**

| Type of Bank | Mean | Minimum | Maximum | Std. Deviation | Coefficient of variation (%) | Test of Homogeneity of Variance | | T-Test | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Levene Statistic | Sig. | t-Statistic | Sig. |
| **Priority Sector advances to total advances Ratio** | | | | | | | | | |
| **HPGB** | 82.91 | 66.70 | 91.30 | 7.99 | 9.69 | 3.859 | .067 | 6.560 | .000 |
| **HPSCB** | 36.54 | .00 | 60.80 | 19.63 | 53.72 | | | | |
| **Term loan to total advances Ratio** | | | | | | | | | |
| **HPGB** | 50.79 | 41.00 | 56.50 | 5.35 | 10.53 | 1.054 | .318 | 4.800 | .001 |
| **HPSCB** | 74.53 | 32.80 | 81.70 | 14.69 | 19.71 | | | | |

The table 2 presents the mean value of priority sector advances ratio is 82.91percent for RRB and 36.54 percent for HPSCB. It shows that the mean value of the priority sector advances ratio is higher for RRB. As far as coefficient of variation is concerned, it has been found lower for HPSCB in comparison to RRB. The null hypothesis of homogeneity of variance for the ratios of priority sector advances between the banks has not been rejected as because the significance value of Levene's statistics is higher than.05. Therefore, it is assumed that variance of the population from which sample extracted are equal. Hence, the results of t-test for ratios of priority sector advances are based on the assumption of equal variances. Further, t-value is found significant at 5% level of significance. It indicated that there is a significant difference in the financial performance of RRB in comparison to HPSCB in terms of priority sector advances ratio and the RRB has been shown better performance as compared to HPSCB in term the given parameter. The descriptive statistics and results of t-test for the ratio of term loan to total advances have also been presented in the table 2. It is clear from the table that the mean value is higher for HPSCB. The significance value of Levene's statistics in this case is more than table value at 5% level of significance Hence, null hypothesis for equality of variance is accepted. Further, it can be said that table 2 shows the results of t-test for the assumption of equal variances. The value of t-statistics is 4.8 and the p-value for the t-test is.001 which is less than 0.05 level of significance so, the null hypothesis is rejected. On the basis of the analysis, it can be concluded that there is a significant difference in the financial performance in term of ratio of term loan to total advances parameter between both banks. The HPSCB has shown better performance in term of the term loan to total advances parameter.

**MANAGEMENT EFFICIENCY PARAMETERS**

These ratios evaluate the management's ability to utilize their assets for generating revenue in the form of interest income, operating income and other income or non-interest income etc.

**TABLE 3: DESCRIPTIVE STATISTICS AND RESULTS OF T-TEST FOR MANAGEMENT EFFICIENCY PARAMETERS**

| Type of Bank | Mean | Minimum | Maximum | Std. Deviation | Coefficient of variation (%) | Test of Homogeneity of Variance | | T-Test | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Levene Statistic | Sig. | t-Statistic | Sig. |
| **Ratio of Interest income** | | | | | | | | | |
| **HPGB** | 6.870 | 1.10 | 8.10 | 2.0864 | 30.36 | 2.318 | .145 | -1.571 | .134 |
| **HPSCB** | 7.940 | 7.20 | 8.70 | .53583 | 6.675 | | | | |
| **Other Income to total assets** | | | | | | | | | |
| **HPGB** | .255 | .00 | .60 | .181 | 70.83 | .064 | .804 | .379 | .710 |
| **HPSCB** | .222 | .10 | .70 | .192 | 86.50 | | | | |

Banks lend money in the form of loans and advances to their borrowers and receive interest on it. This interest is called interest income. The results of descriptive statistics and t-test for interest income have been presented in table 3. The table enumerates that the mean value of interest income ratio is higher for HPSCB i.e. 7.94 percent as compare to RRB. The value for Levene's statistics has been greater than 0.05, which shows that null hypothesis is accepted. Therefore, it is assumed that variance of the population from which samples are extracted are equal. The t- statistics is 2.318 and the p-value for t-test is 0.134 which is higher than 5% level of significance. Hence, the null hypothesis is accepted, it can be concluded that there is no significant difference in the interest income of these banks. Both banks earned equal interest income as their assets. The descriptive statistics and results of t-test for ratio of other income to total assets have also been shown in table 3. The table reveals that the mean value of other income is.25 percent for RRB and.22 percent for HPSCB. It is clear from the table that RRB's have higher mean value with lower coefficient of variation. It indicates that the RRB has more consistency and stability in terms of other income. The significance value of Levene's statistics in this case is more than.05, so the null hypothesis for equality of variance is accepted. The value of t-test is.379 and the p-value for the t-test is.710 which is greater than 5% level of significance, so the null hypothesis is accepted. On the basis of the above analysis, it can be said that there is no significant difference in the financial performance of RRB and HPSCB as given parameter. Both banks earned approximately similar amount of other income as their total assets.

**PROFITABILITY PARAMETERS**

There set of parameters to evaluate the profitability of the banks such as Cost of deposit, Return on Assets, Return on equity, Cost of Borrowing, Cost of Funds, Return on Advances and Return on investments etc.

TABLE 4: DESCRIPTIVE STATISTICS AND RESULTS OF T-TEST FOR PROFITABILITY PARAMETERS

| Type of Bank | Mean | Minimum | Maximum | Std. Deviation | Coefficient of variation (%) | Test of Homogeneity of Variance | | T-Test | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Levene Statistic | Sig. | t-Statistic | Sig. |
| **Cost on deposit** | | | | | | | | | |
| **HPGB** | 5.21 | .90 | 6.70 | 1.69 | 32.43 | 4.005 | 0.61 | -2.471 | .024 |
| **HPSCB** | 6.57 | 5.90 | 7.00 | .408 | 6.21 | | | | |
| **Cost of Borrowings** | | | | | | | | | |
| **HPGB** | 4.02 | .60 | 7.60 | 2.10 | 52.35 | .958 | .342 | .160 | .875 |
| **HPSCB** | 3.88 | 2.30 | 6.30 | 1.05 | 27.35 | | | | |
| **Cost of fund** | | | | | | | | | |
| **HPGB** | 4.978 | .90 | 6.60 | 1.68 | 33.74 | 2.28 | .150 | -2.124 | .050 |
| **HPSCB** | 6.255 | 4.90 | 6.90 | .643 | 10.27 | | | | |
| **Return on Equity** | | | | | | | | | |
| **HPGB** | 6.56 | .20 | 10.40 | 3.632 | 55.33 | 14.20 | .001 | 1.773 | .103 |
| **HPSCB** | 8.72 | 6.70 | 11.20 | 1.28 | 14.67 | | | | |
| **Return on Assets** | | | | | | | | | |
| **HPGB** | .3000 | .00 | .60 | .205 | 68.33 | .464 | .504 | -4.317 | .000 |
| **HPSCB** | .6700 | .50 | 1.10 | .176 | 26.26 | | | | |
| **Operating Profit** | | | | | | | | | |
| **HPGB** | 5.03 | .90 | 6.10 | 1.613 | 32.04 | 2.444 | .138 | -3.024 | .008 |
| **HPSCB** | 6.72 | 5.90 | 7.40 | .4521 | 6.72 | | | | |
| **Return on Advances** | | | | | | | | | |
| **HPGB** | 9.57 | 1.30 | 12.60 | 3.21 | 33.57 | 2.256 | .153 | .346 | .734 |
| **HPSCB** | 9.20 | 8.40 | 10.10 | .63 | 6.84 | | | | |
| **Return on Investment** | | | | | | | | | |
| **HPGB** | 1.29 | .00 | 2.20 | .8130 | 63.02 | 9.243 | .007 | .325 | .090 |
| **HPSCB** | 1.200 | 0.90 | 2.00 | .3266 | 27.21 | | | | |

The table 4 shows that the mean value of cost of deposit is 5.21 percent for RRB and 6.57 percent for HPSCB. It makes clear that the mean value of the cost of deposit is higher for HPSCB. As far the coefficient of variation is concerned, it has been found lower for HPSCB. The significance value for Levene's statistics has been found higher than.05, so the null hypothesis for equality of variance is accepted. Therefore, it is assumed that variations of the population from which samples are extracted are equal. The p-value for the t-test is 0.024 percent which is lower than 0.05 level of significance. On the basis of above analysis, it can be concluded that there is a significant difference in the cost of deposit ratios between both banks and HPSCB has performed well in this parameter as compared to RRB. The descriptive statistics and results of t-test for cost of borrowings in respect of RRB and HPSCB from 2007-08 to 2016-17 have also been shown in table 4. The null hypothesis of homogeneity of variance for the ratio of cost of borrowing between the banks has not been rejected as the significance value of Levene's statistic is higher than.05. Therefore, it is assumed that variances of the population from which samples are extracted are equal. Further, t value is found insignificant at 5% level of significance. It indicates that there is no significance difference in the financial performance of RRB in comparison to HPSCB in terms of cost of borrowings. It can be concluded that the RRB has performed better as compared to HPSCB in term of cost of borrowing ratio during the study period. Table 4 also represents the descriptive statistics and result of t-test for cost of funds in respect of RRB and HPSCB from the year 2008-09 to 2016-17. It is clear from the table that the HPSCB has the higher mean value of cost of funds i.e. 6.255 percent as compared to RRB. Further, the value of t-statistics has been found significant and the null hypothesis is rejected. On the basis of above analysis, it can be said that there is a significant difference between the mean value of cost of funds in respect of RRB and HPSCB. The HPSCB has performed well in term of cost of funds ratio as compared to RRB during the period under study. Return on equity is the profitability ratio that measures the ability of a firm to generate the return on shareholders' investment in the company. The descriptive statistics and results of t-test for RRB and HPSCB have been presented in table 4. The table highlights that the mean value of the return on equity is higher for HPSCB. The null hypothesis of homogeneity of variance for the return on equity ratio between the banks has been rejected because the significance value of Levene's statistics is lower than.05. Therefore, it is assumed that variance of the population from which samples extracted are not equal. Thus, the table 4 shows the results of t-test for the assumption of unequal variances. Further, t-test has been found insignificant at 5% level of significance. It indicates that there is no significant difference in the financial performance of return on equity between both the banks. The return on assets ratio is a profitability ratio that measures the net income produced by total assets during a period. The descriptive statistics and results of t-test for return on assets from the year 2007-08 to 2016-17 have been shown in table 4. The table reveals that the HPSCB has the higher mean value with coefficient of variation. The null hypothesis of homogeneity of variance for the ratio of return on assets between the banks has not been rejected because the significance value of Levene's statistic is higher than.05. Therefore, it is assumed that variances of the population from which samples are extracted are equal. Hence, table 4 provides that the results of t-test for the assumption of equal variances. It is also concluded that the t-value is found significant at 5% level of significance. It indicates that there is a significant difference in the financial performance of HPSCB as compared to RRB in terms of return on assets ratio and HPSCB has performed better as compared to RRB. Operating profit is the measure of profitability of business. The descriptive statistics and results of t-test in term of operating profit for RRB and HPSCB from 2008-09 to 2016-17 have been given in table 4. The mean value of operating profit was higher for HPSCB with lower coefficient of variance. It clearly shows that the HPSCB has been more consistent as compared to RRB. It also reveals that the null hypothesis of homogeneity of variance for operating profit ratio between the banks has not been rejected because the significant value of Levene's statistics is greater than 5% level of significance. Therefore, it is assumed that variance of the population from which samples have been extracted are equal. It indicates that there is a significant difference in the financial performance between both banks in term of operating profit ratio and HPSCB has shown better performance as compared to RRB. Table 4 presents the descriptive and results of t-test of return on advances for RRB and HPSCB from the year 2008-09 to 2016-17. It is clear from the table that the mean value is higher for RRB (9.57%) with higher coefficient of variation. The t-value is found insignificant at 5% Level of significace. It indicates that there is no significant difference in the financial performance of RRB and HPSCB in terms of return on advances ratio both banks earn equal return on their advances. The result of t-test has also been shown in table 4. It is clear from the table that mean for return on investment ratio is 1.29 % for RRB and 1.20% for HPSCB. It makes clear that the mean value is higher for RRB. Further, t-test is found insignificant at 5% level of significance and the null hypothesis is accepted. Hence, it indicates that there is no significance difference in the financial performance of RRB in comparison to HPSCB in term of return on investment ratio.

**EMPLOYEE EFFICIENCY PARAMETER**

The profitability of any organizations are largely depends upon their efficient employees. It is the most important parameter for any organization. The set of parameters deals with the measurement of the efficiency of bank's employees. Although it is injustice to measure employee's efficiency in quantitative form such as business per employee, profit per employee.

TABLE 5: DESCRIPTIVE STATISTICS AND RESULTS OF T-TEST FOR EMPLOYEE EFFICIENCY PARAMETER

| Type of Bank | Mean | Minimum | Maximum | Std. Deviation | Coefficient of variation (%) | Test of Homogeneity of Variance | | T-Test | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Levene Statistic | Sig. | t-Statistic | Sig. |
| **Business per Employee** | | | | | | | | | |
| **HPGB** | 626.74 | 479.1 | 870.0 | 136.18 | 21.72 | .008 | .931 | .322 | .751 |
| **HPSCB** | 606.28 | 358.2 | 810.0 | 147.49 | 24.32 | | | | |
| **Profit Per Employee** | | | | | | | | | |
| **HPGB** | 1.189 | 0.03 | 0.54 | 1.175 | 98.82 | .107 | .747 | -3.408 | .003 |
| **HPSCB** | 3.269 | 3.03 | 5.45 | 1.530 | 46.80 | | | | |

Business per employee for RRB and HPSCB from 2007-08 to 2016-17 have been presented by table 5. The table reveals that the mean value of business per employee is 626.74 for RRB and 606.28 for 606.28 which makes clear that the RRB has the higher performance in business per employee parameter with the lower standard deviation and coefficient of variation. It indicates that RRB has more consistency and stability as their business per employee parameter. The null hypothesis of homogeneity of variance for business per employee between banks has been accepted because the significance value for Levene's statistic is higher at 5% level of significance and it is clear that variance of the population from which samples are extracted are equal. Furthermore, the t-test is not significant at 5% level of significance. Profit per employee is an important parameter to measures the efficiency of the bank. The results of t-test and descriptive statistics for profit per employee parameter in respect of RRB and HPSCB from the period 2007-08 to 2016-17 have been presented in table 5. The table shows that the mean value is higher for HPSCB i.e. 3.269% with lower standard deviation and coefficient of variance. It is clear from the table that the HPSCB has the higher rate profit per employee with more consistency and stability as compared to the other bank i.e. RRB. The null hypothesis of homogeneity of variance for profit per employee ratio between the banks has been accepted because the calculated value of levene's statistic is higher than 5% level of significance. Hence, the variances of the population from which samples are extracted are equal. It shows the results of t-test for the assumption of equal variances. Furthermore, the t-test is found significant and null hypothesis is rejected and there is the significant difference in this parameter between both banks because the t-value is found lower at 1% and 5% level of significance.

## CONCLUSION AND SUGGESTION

From the above analysis the followings outcomes are found on the financial performance of Regional Rural Band and Himachal Pradesh State Co-operative Banks. The present study is conducted with the purpose to study the financial performance of HPSCB and RRB's in Himachal Pradesh. The study covers the period from ten years i.e. 2007-08 to 2016-17. In the present study the financial performance of these two banks in the State of the Himachal Pradesh is assessed with different various parameters such as Debt coverage, Balance sheet, Management efficiency, Profitability, Employee efficiency and Non- performing assets parameter etc have been taken. It is found that the Term loan to total advances ratio, investment to deposit ratio, Return on assets, Profit per employee, Gross NPA to Gross Advances ratio, Gross NPA to Gross Assets ratio, Deposit to total liabilities ratio and Cost of deposits ratio have been higher for Himachal Pradesh State Co-operative bank as compared to Regional Rural Bank during the study period. Demand and saving bank deposit ratio and Priority Sector Advances ratio have been found higher for Regional Rural bank as compared to Himachal Pradesh State Co-operative Bank. In case of Interest income ratio, interest on their advances, potential return on their investment, net worth, Cost of borrowing ratio to total borrowings ratio, cost of fund ratio, Net Non Performing Assets to Net Advances ratio, business per employees and Ratio of other income is not found any significant difference between the both banks.

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# ADDRESSING COVID-19 IMPACTS USING FINANCIAL INSTRUMENTS

*Dr. C. MAGESH*
*ASST. PROFESSOR*
*DEPARTMENT OF COMMERCE*
*PSG COLLEGE OF ARTS & SCIENCE*
*COIMBATORE*

*ARAVINTH PRASATH K*
*STUDENT*
*DEPARTMENT OF COMMERCE*
*PSG COLLEGE OF ARTS & SCIENCE*
*COIMBATORE*

## ABSTRACT
*The novel corona virus has brought up drastic changes in the financial sector throughout the world. India is a country with wide financial market with various portfolios available for saving money. The RBI will monitor the evolving situation continuously and use all its instruments to address the daunting challenges posed by the pandemic. The overarching objective is to keep the financial system and financial markets sound, liquid and smoothly functioning so that finance keeps flowing to all stakeholders, especially those that are disadvantaged and vulnerable. Regulatory measures that have been announced so far – including those made today - are dovetailed into the objective of preserving financial stability. One of the basic habits of majority of Indian families is to save money on monthly basis from their income to have a secured future. A person can easily multiply their money by investing. There is wider range of financial instruments available in India for an individual/corporate to basket their desired investment portfolios. The main objective of this paper is focused on the projection of financial instruments as a key for boosting up the personnel saving. This will also account on expanding the economy, as per capita income increases with the gains obtained from the financial instruments. People must come out of the basic myths about these financial instruments and understand the current perspective: "Finance is not about having lots of money it's about knowing how to manage it"*

## KEYWORDS
Covid -19 impacts, financial instruments.

## JEL CODE
G23, G11, G01.

## INTRODUCTION
International Accounting Standards IAS 32 and 39 define a Financial Instrument (FI) as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity". Financial instruments serve as a channel to invest money. Financial Instruments in simple terms may be defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. These are the monetary contracts between parties. As per the current scenario there are numerous kinds of financial instruments available in the market. It acts as a key tool to boost up funds. With regard to investment purpose, there are various methods to save money. A potential investor has to choose the best investment portfolio to fetch the best return on the invested money. These instruments provide an effective circulation of money and transfer of capital throughout the globe. Financial instruments may be paper or a virtual document which depicts the agreement involving in monetary value. It has a monetary value, and these instruments constitute a legally enforceable agreement between two or more parties regarding a right to payment of money. Thus financial instruments are completely safer portfolios if the investor has expertise knowledge in the finance sector.

The novel corona virus has brought up drastic changes in the financial sector throughout the world. India is a country with wide financial market with various portfolios available for saving money. One the basic habits of majority of Indian families are to save money on monthly basis from their income to have a secured future. A person can easily multiply their money by investing. There is wider range of financial instruments available in India for an individual/corporate to basket their desired investment portfolios. • As the fear of the global economy moving towards a recession grows, it is likely that there will be a liquidity crunch coupled with high inflationary pressures. In this situation, the Whole world is experiencing uncertainty and hardship due to the unprecedented COVID-19 pandemic. This pandemic came at a time when the global economy was already facing tough times. Hence, in the given situation, it is important to take prudent financial actions both preventive and corrective, to ensure overall financial wellness of an individual/ family and business.

## STATEMENT OF THE PROBLEM
COVID-19 has affected communities, businesses and organisations globally, inadvertently affecting the financial markets and the global economy. It is expected to affect most of the Industry in India, either directly or indirectly and the increased economic uncertainty and risk may pose significant financial reporting implication. India's growth for 2020-21 to drastically low levels, not seen since the 2008 global financial crisis. The Covid-19 pandemic has had a severe effect on economic and financial markets, and virtually all industries are facing challenges as a result. Hence this study has conducted to overcome the economic impacts of covid19 using financial instruments.

## NEED AND OBJECTIVES OF THE STUDY
1. To overcome the economic impacts of covid19 using financial instruments.
2. To ensure greater liquidity of finance for individuals and also Business concerns.
3. To analyse various financial instruments available in the Indian Markets and interpret the best portfolio.

## METHODOLOGY
The methodology of this article is to discuss aspects of qualitative research in some details. The data were collected to achieve the result for the purpose and scope of this study. In this study secondary data are used to enrich the article. For the collection of secondary data have used both published and unpublished data sources. The published data are collected from: i) various publications of foreign governments or of international bodies, World Health Organisation, and their subsidiary organizations, ii) various research reports are prepared by research scholars, universities, economists, etc., iii) books of various authors, hand books, theses, magazines, and newspapers, iv) various sources from university libraries, vi) technical and trade journals, vii) websites, and viii) public records and statistics, historical documents, and other sources of published information.

**Major Types of Financial Instruments**

Financial Instruments are classified into the following types

- **Cash instruments**
  - These are the instruments whose value is directly determined by the market. Cash instruments are easily transferable and they are highly influenced and determined by the market.
  - Examples of cash instruments are securities, bonds, which are quickly transferable; loans and deposits in which the borrower and the lender have to agree on a transfer.
- **Derivative instruments**
  - In finance, a derivative instrument is a contract that derives its value from the performance of an underlying entity.
  - The word underlying entity can be an asset, index, or interest rate, and is often simply called the "underlying".
  - They can be both exchange-traded derivatives and over-the-counter (OTC) derivatives.
  - Exchange-traded derivatives (ETD) are traded through central exchange using publically visible prices; whereas over-the-counter derivatives(OCD) is the

term used to refer stock that trade using dealer network. OCD's are unlisted stocks where the securities are negotiated through brokers and dealers.

Financial instruments may also be further divided according to an asset class, which depends on whether they are debt-based or equity-based.

- **Debt-Based Financial Instruments**
  - Debt instrument represents a contract whereby one party lends money to another with predetermined with regard to rate and periodicity of interest, repayment of the principal amount to the borrower by the lender.
  - Short-term debt-based financial instruments last for one year or less. Securities of this kind come in the form of T-bills and commercial paper. Cash of this kind can be deposits and certificates of deposit (CDs).
  - Long-term debt-based financial instruments last for more than a year. Under securities, these are bonds. Cash equivalents are loans. Exchange-traded derivatives are bond futures and options on bond futures.
- **Equity-Based Financial Instruments**
  - The common securities under the equity-based financial instruments are stocks. It gives an ownership right to the holder.
  - Example the share certificate issued to the shareholders of the company.

**TABLE 1**

| | Instrument type | | | |
|---|---|---|---|---|
| **Asset class** | **Securities** | **Other cash** | **Exchange-traded derivatives** | **OTC derivatives** |
| **Debt (long term) 1 year** | Bonds | Loans | Bond futures Options on bond futures | Interest rate swaps Interest rate caps and floors Interest rate options Exotic derivatives |
| **Debt (short term) ≤ 1 year** | Bills, e.g. T- bills Commercial paper | Deposits Certificates of deposit | Short-term interest rate futures | Forward rate agreements |
| **Equity** | Stock | N/A | Stock options Equity futures | Stock options Exotic derivatives |
| **Foreign exchange** | N/A | Spot foreign exchange | Currency futures | Foreign exchange options Outright forwards Foreign exchange swaps Currency swaps |

**INDIAN FINANCIAL INSTRUMENTS**

- **Equities:** Equities are the type of security that represents the ownership right of a company. Usually equities are traded in stock markets. When the company is issuing shares for the first time the, these equities may be even bought from the Initial Public Offering (IPO), In Indian financial market stock trading activities are actively taking place in the stock exchanges. The two major stock exchanges in India are National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).
  - Equities are one of the best options available over an extended period of time as it will fetch good returns in the future.
  - These are always subject to market related risks and an investor needs to go through the documents keenly and do a research about the investing company's financial sustainability before investing.
  - As per Indian Companies act, Equity share are fixed; which means they are permanent shares of the company and it cannot be redeemed during the life time of the company but it can be traded or negotiated from one person to another.
  - Based on the share market, Purchasing Equities holding it for a period of time and once the share prices increases we can negotiate it to another can get a handful profit out of it.
- **Mutual Funds:** Under the Indian Financial markets, mutual funds are the top rated. The main reason for this is the initial investment amount is very low in mutual funds and the risk is diversified. And also mutual funds allow a group of individuals to invest their money together, hence it a good decision to kick start the investment from mutual funds either with group of friends and relatives or as an individual.
  - The investment structure of mutual funds is famous because of its cost- efficiency methods, diversification of risk, proper professional management and sound regulation.
  - The frequency of investment is likely to be monthly or quarterly and the minimum amount which could be to be invested can be as small as INR 500.
- **Bonds:** Bonds are considered fixed income instruments as they are issued to raise working capital. The private entities such as corporates, financial institutions and the public entities like Central and State Government institutions issue bonds to increase their funds. The bonds issued by the government carries the lower rate of risk but guarantees decent returns. The bonds issued by private institutions have high risks with high returns.
- **Deposits:** Investing the money in banks as fixed deposits or in post-office as recurring deposits is one of the most standard methods of savings followed in India. Under deposits the return on investment is 100% guaranteed as there is no risk factor is involved.
- **Cash and Cash Equivalents:** They are completely safe and highly liquid investment options. All the financial securities which are immediately converted into cash within three months are known as cash and cash equivalents. Some of the common examples are Treasury bills, gold, money market funds are cash equivalents.

## IMPACT OF COVID-19

A pandemic could kill as many people as a devastating war, yet the resources committed to pandemic prevention and resources we commit to security. There are also very few risks that have greater potential for catastrophic economic impact – potentially on the scale of a global financial crises- but the measures we are taking to avoid another financial crisis are of an entirely different magnitude. In this situation, many of us would be worrying about our investment portfolio and that is totally understandable. But don't let pandemic influence our investment strategy. Because, time and again, we have noticed that the markets in India and the world regain confidence and bounce back.

It would be an understatement to say that the Covid-19 scare has dealt a significant blow to economic activities in India across domains. The strangulation of mobility, along with the subsequent supply chain impairment, has caused businesses across sectors to scale down their operations while the corporate sector has enacted work from home policies. While the outbreak has undeniably affected the financial ecosystem in the country, the series of scandals that it witnessed even before the entry of corona virus in India had already shaken the condition of investors and lenders alike. Now the cumulative burden of mounting conservatism among the investor community has fallen up to the shoulders of the startup ecosystem, weighing down the growth of more than 50000 Indian ventures.

The muted economic activity has only served to aggravate the challenges for the nations startups. The most affected are the ventures that are in their growth – stage and are waiting to raise the nest rounds of funding. Further, a prolonged lack down may cause funding timelines to be delayed, even more, adding to the worries of venture who were looking to leverage the capital infusion to scale their operation

## FINANCIAL INSTRUMENTS AS A TOOL TO OVERCOME THE COVID-19 IMPACTS

All the great economies in the world are facing the volatile impacts of Covid-19 and so the normal man also has to. Many of our portfolio and investment has also been affected by the Corona virus pandemic lockdowns and we may have withdrawn our funds to keep them spare. Many potential investors across India and even across the globe are looking at liquidating their financial assets to keep it with them in case if any sudden requirement.

In spite of such drastic economic changes among the people, if who have a job and sufficient salary, and a portion of which can use for the investments, then also should definitely take this opportunity to put money into quality financial instruments which would yield better value in the near future.

However, in this economic suffocation period many of us will not be ready to lock up our money in long term instruments, and then short term investment instruments can come in handy for us. The top short term investment instruments can bank upon in these tough times are listed below.

## FINANCIAL INSTRUMENTS: THE ECONOMIC SAVIOR IN TOUGH TIMES

The investment possibilities are open at all fronts even during this Covid-19. However before investing the investor has to fully understand the risks involved in different types of investments.

The following strategies, from the financial markets which includes currency market, commodity market, stock market, and even some strategies belong to lesser organised sectors like deposits market and treasury bills.

- **Bank FDs:** In India the safest method used for short term investment is bank FD's. The investor can yield the interest range of 6 to 9 percentage. Bank fixed deposits are evergreen and they come with the tenure minimum of 7 days and a maximum of 10 years. These short term instruments are very flexible as they can be liquidated at any time after the initial lock period and can also be extended for reinvestments on maturity.
- **Post Office Savings Scheme:** Similar to bank deposits, Indian post office also offers fixed deposits with it where the investor can put their money for a period of 1 to 5 years and generate a decent return. National Saving Certificate issued by Post office can also be a better option. Post office schemes are usually less risky as they come with sovereign guarantee and can be a best option for someone who wants to put money in safe instruments.
- **Certificates of Deposits:** These are deposit certificated which are issued in the money markets by companies to get cash for their day to day expenses. Corporates are in need of cash now more than ever. We can lend our spare cash to such companies. So that companies which are in need of finance will get it and which can recover it later when things pick up pace. CDs are highly liquid instruments and offer fixed interest rates; hence these deposit certificates can be good for earning a nominal interest over the saved amount.
- **Stock Market Investment Through Technical Strategy:** During the times of COVID-19, share markets are giving one of the best options for investments where people can take benefit of the swinging volatility in the markets to earn profits.
    - For investors who want to passively invest their money in the stock market for holding period of more than a week, the technical analysis and machine learning based stock market trading strategy and Infinity – can help in achieving short term investment goals. This strategy invests in cash segment stocks and this is good for passive investors who wish to hold the stocks for a longer period of time than one week.
- **Index Futures based Investments:** If a person feels direct trading in specific stocks seems risky and then he/she would rather invest their money in index funds, then the quantitative analysis based short term investment strategy – Prime Nifty Bank may be best suited for them.
- The top 50 company shares in National Stock Exchange (NSE) are called as nifty. The Prime Nifty Bank is for short term traders who are exclusively interested in trading in Nifty Bank futures; this quantitative analysis driver strategy can be useful.
- **Gold based Short Term Investment Strategy:** Gold is a Precious metal and it always considered to be a safe investment basket in uncertain times like the one which we are finding ourselves in. If a person is sceptical and doubtful about the equity markets in general and if he/she want to invest in safe haven of goals and also to earn better returns then directly buying the gold is the option, then Prime Gold strategy would be best suited.
- **Event based Short Term Investment in Stock Markets:** The event based short term investment can be chosen if you believe more in fundamental analysis than technical analysis and believe in longer term investment than just one week or a month, then a thematic investment strategy based on a particular event affecting in the stock markets can pay off decent returns, such as a shot term strategy taking benefit of impact of monsoons on stock markets or the union budget on the markets etc.

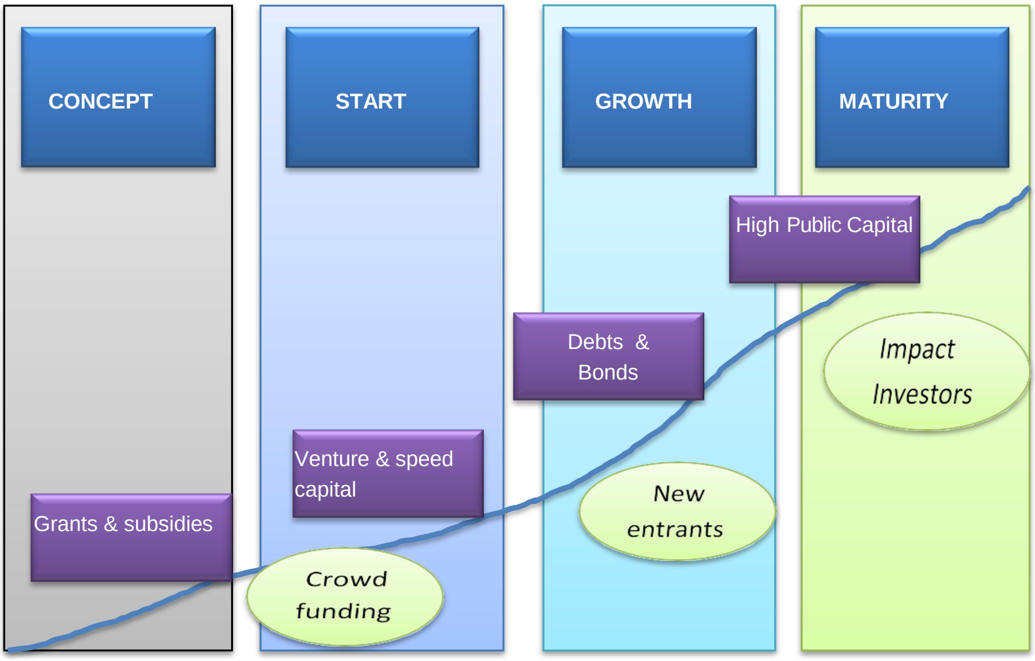
## FI FOR COMPANY'S FINANCIAL SUSTAINABILITY

The top most Company with regard to profits, fame, sustainability as well as finance uses various derivative financial instruments such as interest rate swaps, currency swaps, forwards options and commodity contracts to mitigate the risk of changes in interest rates, exchange rates and commodity prices.

Hence these instruments are to be practiced my small and medium enterprises so that they get higher mobilization of funds as well as financial sustainability.

- **Concept:** The first stage is to get a clear knowledge about the instruments and make a best portfolio for effective growth. The terms and conditions must be clearly understood, it's better to get an opinion from an financial expert before investing.
- **Start:** Concerns must start working of the ground in the next stage. In the stage the main objective is to obtain optimum venture capital investors and take the business to the next scale.
- **Growth:** In the growth sage the companies will get new entrants as investors. They may purchase bonds and debt securities. Stock Market Investment through Technical Strategy can be done in this stage. The surplus gains may be further invested in future based instruments and deposits.
- **Maturity:** Here the enterprise flourishes financially. They will acquire high public capital and get more **potential impact investors**. Gets fame and sustains financially in **long run.**

FI's for better corporate finance sustainability. Short-term financial instruments would be more adaptable in this pandemic time.




**STAGES OF FINANCIAL INSTRUMENTS FOR ENTERPRISES**

**CHART 1**

## SUGGESTIONS

- Financial instruments act as well-tested, efficient and effective way of supporting growth, jobs and innovation. Before deciding to invest in a portfolio an investor must clearly understand the terms and conditions of that instrument. Sound Knowledge plus best portfolio will surely render a fruitful monetary yield in the future.
- Thomas Fuller famously said that "the darkest hour is just before the dawn" in fact, this is the time that smart money buys equity
- As the fear of the global economy moving towards a recession grows, it is likely that there will be a liquidity crunch coupled with high inflationary pressures. In this situation, setting up short –term financial goals become important. Any investment decision during this period should be made factoring in the short – term goals of an individual.
- The investment should be adequately liquid to address contingencies and short term needs. In case vulnerable to salary cuts or a job loss, it is the time to introspects and create a contingency plan to face this situation.
- It is advisable that one should re- evaluate their financial position and ability to serve debts along with meeting necessary expenses. Investment could be redirected to liquid assets to avoid sudden cash crunch and avoid the risk of being a financial defaulter.

## CONCLUSION

The COVID-19 pandemic has affected the world in various ways. Covid-19 has led to some of the most drastic financial losses. With economic crises escalating daily due to the pandemic, it is wise to do all control and take measures to protect. The curfew and the lockdown ensured that the seriousness of the disease was impressed upon by the highest offices in the country, which is reflected in people taking good precautionary measures to protect themselves from the disease as well as break the chain of transmission. One of the drastic Covid-19 personal finance impacts has been the sudden shift in career and professional goals. Those in the early stages of their career like graduates and part-timers are finding it hard to find a job. Investing money in investment avenues such as the stock market, mutual funds, equity, real estate, fixed deposits, etc. have always been investment avenues and saving options. But, since the start of the year, the loss of jobs has led to a decline in investments. As a result, citizens have suffered a harsher COVID-19 personal finance impact.

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# EFFECT OF THE MACROECONOMIC VARIABLES ON FOREIGN DIRECT INVESTMENT IN INDIA

*HIMANSHU SARKAR*
*STUDENT*
*SCHOOL OF BUSINESS MANAGEMENT*
*CHRIST (DEEMED TO BE) UNIVERSITY*
*BANGALORE*

## ABSTRACT
*This paper focuses upon the macroeconomic variables of FDI and these macroeconomic are affecting FDI which is important factors of economic growth. For this paper has taken FDI as the dependent variable and macroeconomic variables such as GDP, inflation rate, real interest rate, national income and exchange rate are independent variables. This study has used the time series data of each variable for 20 years (1999-2019) from various secondary data like government sites and used statistical tools like ADF test for checking the stationarity of the data. Along with this granger causality has been tested to show the causal effect between FDI and mentioned macro-economic variables. Regression analysis test has conducted for showing the significant impact macro variables on FDI. Correlation test has conducted for showing the relation between FDI and macroeconomic variables also used Johansen Co-integration test to find out the long-run relationship between the dependent variable and independent variables. Signifying the fact that all the variables of the study move together in the long run. If variables are cointegrated, the slope coefficients become super consistent. Among the long-run coefficients, the influence of GDP to inward FDI is the highest.*

## KEYWORDS
FDI, GDP, ADF test, granger causality, inflation rate, exchange rate, real interest.

## JEL CODES
P33, F22,

## 1. INTRODUCTION
Foreign Direct Investment is the accumulated inward flow of speculation to grab an enduring incentive from the administration for an attempt to operate in an economy other than the own nation of the financial specialist's economy. As it appeared in a crucial position of instalments, it is the sum of value, long haul capital, and here and now capital. For the most part, commitment to management, mutual wandering, the sharing of innovation and expertise are involved. The ill-effects of low wages and low capital arrangements are faced by a significant number of developing countries. Be that as it may, these countries have built up a powerful desire for industrialization and monetary growth due to the lack of valuable resources. Therefore, they have concentrated on wide-scale industrialization initiatives. Since there has been a complete lack of residential assets to carry out such ventures, these countries need to rely on outside resources.
Reason for increase in FDI in the recent times in India –

1. **Dimension of the market:** India's huge developing and devouring working class, which is set up to spend is a major bait for organizations, which are seeing immersion focuses in created nations. India is the third biggest economy on the planet regarding buying power equality. There is a motivation behind why enormous retail organizations, for example, Amazon, Walmart and Apple are focused on the Indian market.
2. **Capabilities for technology and innovation:** The organizations of innovation produce the absolute most brilliant designing alumni in the district and this is gigantic in addition to for organizations who locate an instant ability pool. The cream of the designing ability can discover an outlet to their inventiveness and imaginative senses while working in the labs of a portion of the worldwide innovation organizations, which have set up their assembling offices here.
3. **Efficiency of economy:** Economic growth is high and for the next two years, it is expected to continue. The domestic economy, still at manageable levels, is strong enough to sustain demand and the inflation rate, which is more than the 4% target. Growing crude oil prices are a concern, but all over the world, they are a concern.
4. **Cheap labour force:** With 47% of the populace underneath the age of 25, India has perhaps the most youthful populace on the planet. This implies a workforce that will be dynamic and gainful for quite a while. Regardless of rising wages, India actually stays one of the nations with a modest workforce. The expense exchange actually puts the country at a particular bit of leeway when contrasted with a portion of the other Asian nations. Cost of work is truth be told the main consideration in driving FDI streams into the country.

## 2. REVIEW OF LITERATURE
**Dipti Ranjan Mohapatra, (2020)** in this paper, the researcher focuses on several factors which determine the investment of FDI in a nation. Empirical evidence underlines the significance of the country's gross domestic product, the formation of domestic resources, the availability of infrastructure, the degree of economic openness, the commercial status, the debt position of the country, etc., as possible determinants of FDI inflows to a country. The purpose of this paper is to examine the different possible determinants of the inflow of FDI equity from the European Union to India between 2000 and 2012. The time period for this study is 12 years, from April 2000 to April 2012, depending on the availability of data.
**Michael Asiamah, Daniel Ofori and Jacob Afful (2018)** in this paper, the researchers describe the analysis of the determinants of FDI in Ghana. Also describes policymakers, investors, the banking industry and the general public, the factors that decide foreign direct investment (FDI) are significant. The objective of this paper is to analyze the determinants of FDI. Within the context of vector autoregression for data processing, the thesis used the Johansen approach to cointegration. The study found that both long-run and short-run results found statistically significant adverse effects on Ghana's FDI inflation rate, exchange rate and interest rate, while total national output, power age and phone use (TU) emphatically affected FDI.
**Saina Baby and Aarti Mehta Sharma (2017)** in this examination article, the researcher talk about the determinants of Foreign direct speculation inflows in India. In this paper, the target is to recognize the determinants of Foreign Direct Investment (FDI) inflows into India and to inspect the impact of the worldwide monetary emergency on FDI inflows into India. The exact outcomes acquired as demonstrated in the paper are acknowledged based on the F Statistic and the Adjusted R squared worth. On further assessment, plainly the needy variable can be best anticipated by Real Gross Domestic Product (GDP) and the dummy variable Global Financial Crisis.
**Shiba Shankar Pattayat (2016)** in this article, the researcher depicts the determinants of FDI inflows in India. This paper essentially features the determinants elements of FDI and how these factors are influencing FDI which is the main components of monetary development. It incorporates GDP as a reliant variable and FDI, Trade Openness and Exchange rate are the autonomous factors. This examination has utilized time arrangement information which is from different optional information sources like IMF, RBI and so forth and introduced ADF test for checking the stationarity of the information. It has additionally utilized Johnson Co-integration test to discovering the since quite a while ago run connection between the needy variable and autonomous factors.
**Mafruza Sultana, Vidushi kagdiyal, Vishal M Goyal, Sai Pratyush Chakkala and Rajeshri Parmar, (2019)** in this paper, the researcher many studies have been conducted on FDI in India and its effect on the Indian economy. The aim of our analysis is to analyse the effect of FDI not only on Indian growth variables, but also on other variables that are human and population development indexes. Understand how much FDI is responsible for their individual variance shifts in this analysis, a model in which the FDI factors (foreign exchange reserves, exchange rate, import and export) were clubbed into one and the effect on Indian economic variables

was seen from it. In this study, GDP, HDI, population, inflation and the Sensex index were included as financial variables. It used a regression model and correlation for our data analysis.
**Benjamin Odei Appiah, Ravi Maharjan and Jahangir Riaz, (2020),** In this article, the researcher describes the impact of FDI Inflows on the Indian economy. This research work intends to find out the effect of FDI inflows and recognize the principal factors that draw in FDI in India. some ecological difficulties and obstructions related to FDI in India require basic consideration from the public authority. This investigation exposes the requirement for countries to set up designs and frame-works to advance reasonable improvement through FDI. It improves information on how best countries could streamline FDI to the advantage of all, whiles limiting the related dangers or difficulties.

## 3. CONCEPTUAL BACKDROP AND RESEARCH DESIGN
For some neighborhood Indian business visionaries and the economy everywhere, unfamiliar money inflows from Foreign direct investment (FDI) have involved significant concern. High inflows of assets into the country by unfamiliar direct financial specialists give them an upper hand in the country's monetary exercises. This is large because they are part of a larger corporate corporation with an immense capital base. These foreign investors are willing, in any sort of market competition, to raise more funds as a means of subsidizing their operations. In doing so, local entrepreneurs could not survive competition from their international rivals because, because of their low production costs, they are able to lower prices below the current market price.

### 3.1 OBJECTIVE OF THE STUDY
1. To analyze the impact of macroeconomic variables on FDI of India.
2. To examine causal relationship between macroeconomic variables and FDI of India.
3. To analyze the co-integration relationship among macroeconomic variables and FDI of India.

### 3.2 HYPOTHESIS OF THE STUDY
To check the stationarity of the data using the ADF test, the following hypothesis is framed.
**$H_0$:** The data series of macroeconomic variables and FDI are non-stationary.
**$H_1$**: The data series of macroeconomic variables and FDI are stationary.

The following hypothesis is framed for granger casualty:
**$H_0$:** There is cause relationship between macroeconomic variables and FDI.
**$H_1$:** There is no cause relationship between macroeconomic variables and FDI.

The following hypothesis is framed for the purposes of Johansen co-integration test:
**$H_0$**: There is no co-integration exist among macroeconomic variables and FDI.
**$H_1$**: There is co-integration exist among macroeconomic variables and FDI.

The following hypothesis is framed for the purposes of Regression analysis:
**$H_0$**: There is no significant impact of FDI on macroeconomic variables.
**$H_1$**: There is significant impact of FDI on macroeconomic variables.

The equations for five independent variables of regression analysis:
FDI = $\alpha_1$ + $\beta_1$ exchange rate + $\beta_2$ GDP + $\beta_3$ inflation rate + $\beta_4$ national income + $\beta_5$ real interest rate + ε

**Variables of the study**
In this research, independent variables GDP (gross domestic product), Inflation rate, Real interest rate, national income and exchange rate. and Dependent Variable is FDI.

### 3.3 RESEARCH MODEL
There will be secondary source of data to study this research. The secondary data being collected from the recognized sources like government websites, internet journal and articles etc. yearly data from 1999 to 2019 has been collected of GDP (gross domestic product), Inflation rate, Real interest rate, national income and exchange rate. For this research work one dependent variables and five independent variables. The variables are tested in EViews and excel sheets.
There are statistical tools used like unit root test, Correlation, Augmented Dickey fuller (ADF), Granger causality test, Regression analysis and Johansen co-integration test. The equation framed for the purpose of analyses have used dependent variables as FDI (LdiffFDI) and independent variables are GDP (LdiffGDP), inflation rate (Ldiffircpi), real interest rate (Ldiffrir), exchange rate (Ldiffexr) and national income (Ldiffni).

i. Regression analysis equation framed for the purpose of analyses have used dependent variables as FDI and independent variables are GDP, inflation rate, real interest rate, exchange rate and national income:

FDI = α1 + β1 exchange rate + β2 GDP + β3 inflation rate + β4 national income + β5 real interest rate + ε

ii. Granger causality indicates the cause-and-effect relationship between macroeconomic variables and FDI.

$$y(t) = \sum_{i=1}^{\infty} \alpha_i x(t-i) + c_1 + u_1(t)$$

$$y(t) = \sum_{i=1}^{\infty} \alpha_i x(t-i) + \sum_{j=1}^{\infty} \beta_j y(t-j) + c_{2+} u_2(t)$$

**Given variables –**
y(t) = dependent variable w.r.t time t.
i, j = lag values
α & β = coefficient of the model (i.e., The contributions of each lagged observation to the y(t) values predicted (t)).
c = constant
u = coefficient of error.
Mostly, this depends on how much information you have available. A model order test is one way to select lags i and j. Just choosing some values and running the Granger test several times to see if the results are the same for different lag levels could be simpler.

iii. Johansen co-integration tests are used to identify the degree of sensitivity of two variables over a given period of time at the same average price. For this research, only three variables are considered FDI, exchange rate and inflation rate. To show the co-integration exist among macroeconomic variables and FDI.

## 4. EMPIRICAL FINDINGS

**Granger Causality Test**

**TABLE 1: GRANGER CAUSALITY TEST FOR FDI FOR PERIOD 1999-2019**

| Null Hypothesis | F-statistic | Prob |
|---|---|---|
| LdiffFDI does not Granger Cause LdiffGDP | 1.39829 | 0.2845 |
| LdiffGDP Does Not Granger Cause LdiffFDI | 0.91568 | 0.4265 |
| LdiffFDI Does Not Granger Cause Ldiffni | 0.93560 | 0.4192 |
| Ldiffni Does Not Granger Cause LdiffFDI | 0.85163 | 0.4510 |
| LdiffFDI Does Not Granger Cause Ldiffexr | 0.32124 | 0.0155 |
| Ldiffexr Does Not Granger Cause LdiffFDI | 1.96644 | 0.1794 |
| LdiffFDI Does Not Granger Cause Ldiffircpi | 0.69755 | 0.5155 |
| Ldiffircpi Does Not Granger Cause LdiffFDI | 0.06456 | 0.9378 |
| LdiffFDI Does Not Granger Cause Ldiffrir | 0.93135 | 0.4207 |
| Ldiffrir Does Not Granger Cause LdiffFDI | 0.85493 | 0.4497 |

From the above table 1 the pairwise granger causality test was conducted taking 2 lags to find out the cause-and-effect relationship between FDI and all other macro-economic variables. The test shows the probability value i.e., p>0.05 hence, we cannot reject the null hypothesis except for the LDIFFFDI and LRIR pair which shows p value<0.05. This leads us to the interpretation that FDI does not granger causes any microeconomic variables.

**Regression Analysis**

**LdiffFDI and Ldiffexr**

**TABLE 2: REGRESSION ANALYSIS OF LDIFFFDI AND LDIFFEXR**

| | | | | |
|---|---|---|---|---|
| Dependent Variable: LDIFFFDI | | | | |
| Method: Least Squares | | | | |
| Date: 01/27/21 Time: 16:45 | | | | |
| Sample (adjusted): 2000 2019 | | | | |
| Included observations: 20 after adjustments | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.164032 | 0.084773 | 1.934945 | 0.0689 |
| LDIFFEXR | -0.265512 | 1.414384 | -0.187723 | 0.8532 |

So, in above table 2 it shows that the dependent variable is FDI (LdiffFDI) and independent variable is exchange rate (Ldiffexr). The probability value of Ldiffexr is showing 0.8532. That means there is no significant impact of exchange rate on FDI. Hence, the null hypothesis cannot be rejected because the p value is greater than 0.05. (i.e., p>0.05).

**LdiffFDI and LdiffGDP**

**TABLE 3: REGRESSION ANALYSIS OF LDIFFFDI AND LDIFFGDP**

| | | | | |
|---|---|---|---|---|
| Dependent Variable: LDIFFFDI | | | | |
| Method: Least Squares | | | | |
| Date: 01/28/21 Time: 01:39 | | | | |
| Sample (adjusted): 2001 2019 | | | | |
| Included observations: 19 after adjustments | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.141795 | 0.073392 | 1.932024 | 0.0702 |
| LDIFFGDP | -1.245126 | 0.737363 | -1.688621 | 0.1095 |

So, in above table 3 it shows that the dependent variable is FDI (LDIFFFDI) and independent variable is GDP (LDIFFGDP). The probability value of LDIFFGDP is showing 0.1095. That means there is no significant impact of GDP on FDI. Hence, the null hypothesis cannot be rejected because the p value is greater than 0.05. (i.e., p>0.05).

**LdiffFDI and Ldiffircpi**

**TABLE 4: REGRESSION ANALYSIS OF LDIFFFDI AND LDIFFIRCPI**

| | | | | |
|---|---|---|---|---|
| Dependent Variable: LDIFFFDI | | | | |
| Method: Least Squares | | | | |
| Date: 01/28/21 Time: 01:48 | | | | |
| Sample (adjusted): 2000 2019 | | | | |
| Included observations: 20 after adjustments | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.153804 | 0.076876 | 2.000685 | 0.0607 |
| LDIFFIRCPI | 0.149557 | 0.249353 | 0.599781 | 0.5561 |

So, in above table 4 it shows that the dependent variable is FDI (LdiffFDI) and independent variable is inflation rate (Ldiffircpi). The probability value of Ldiffircpi is showing 0.5561. That means there is no significant impact of inflation rate on FDI. Hence, the null hypothesis cannot be rejected because the p value is greater than 0.05. (i.e., p>0.05).

**LdiffFDI and Ldiffni**

**TABLE 5: REGRESSION ANALYSIS OF LDIFFFDI AND LDIFFNI**

| | | | | |
|---|---|---|---|---|
| Dependent Variable: LDIFFFDI | | | | |
| Method: Least Squares | | | | |
| Date: 01/28/21 Time: 02:14 | | | | |
| Sample (adjusted): 2001 2019 | | | | |
| Included observations: 19 after adjustments | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.148077 | 0.074709 | 1.982067 | 0.0639 |
| LDIFFNI | -1.021802 | 0.678716 | -1.505494 | 0.1506 |

So, in above table 5 it shows that the dependent variable is FDI (LDIFFFDI) and independent variable is national income (LDIFFNI). The probability value of LDIFFNI is showing 0.1506. That means there is no significant impact of national income on FDI. Hence, the null hypothesis cannot be rejected because the p value is greater than 0.05. (i.e., p>0.05).

**LdiffFDI and Ldiffrir**

**TABLE 6: REGRESSION ANALYSIS OF LDIFFFDI AND LDIFFRIR**

| | | | | |
|---|---|---|---|---|
| Dependent Variable: LDIFFFDI | | | | |
| Method: Least Squares | | | | |
| Date: 01/28/21 Time: 02:20 | | | | |
| Sample (adjusted): 2001 2019 | | | | |
| Included observations: 19 after adjustments | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.147957 | 0.074528 | 1.985261 | 0.0635 |
| LDIFFRIR | -28.90570 | 18.84295 | -1.534033 | 0.1434 |

So, in above table 6 it shows that the dependent variable is FDI (LdiffFDI) and independent variable is real interest rate (Ldiffrir). The probability value of Ldiffrir is showing 0.1434. That means there is no significant impact of Real interest rate on FDI. Hence, the null hypothesis cannot be rejected because the p value is greater than 0.05. (i.e., p>0.05).

**Johansen Co-integration Test**

**TABLE 7: JOHANSEN CO-INTEGRATION TEST OF FDI, EXCHANGE RATE AND INFLATION RATE**

| | | | | |
|---|---|---|---|---|
| Date: 01/27/21 Time: 16:13 | | | | |
| Sample (adjusted): 2002 2019 | | | | |
| Included observations: 18 after adjustments | | | | |
| Trend assumption: Linear deterministic trend | | | | |
| Series: LFDI LEXR LIRCPI | | | | |
| Lags interval (in first differences): 1 to 2 | | | | |
| Unrestricted Cointegration Rank Test (Trace) | | | | |
| Hypothesized | | Trace | 0.05 | |
| No. of CE(s) | Eigenvalue | Statistic | Critical Value | Prob.** |
| None | 0.607182 | 29.14253 | 29.79707 | 0.0594 |
| At most 1 | 0.487933 | 12.32320 | 15.49471 | 0.1421 |
| At most 2 | 0.015206 | 0.275810 | 3.841465 | 0.5995 |

From this above table 7, we have considered FDI (LFDI), exchange rate (Lexr) and Inflation (Lircpi) rate. From the table 4.16 we can observe that for all the cases (i.e., none, atmost 1, atmost 2) excepts null hypothesis (P>0.05) which represent negative relationship among all the variables that has been considered for this test, which implies that series are not related and cannot be combined in a linear fashion. Hence it shows no long-term relationship within these macro variables.

## 5. FINDINGS

1. From the research conducted, we observed that the macro variables such as GDP, Exchange Rate, Real Interest rate and National Income have negative relationship with the Foreign direct investment (FDI) which shows that these macro variables do not impact FDI variable overall.
2. From the research conducted out of all variables considered for this research inflation rate has a positive relationship with FDI variable from which we can conclude that it has direct impact on the FDI.
3. From the research conducted regression analysis test of all five variables, it found that there is no such significant impact of macro variables on FDI.
4. From this research conducted Johansen co-integration test, it found that there is not co-integration between FDI, exchange rate and inflation rate.
5. From this research we could conclude that FDI helps in development of different industrial sectors as it attracts foreign investors to invest in different sectors.
6. From the study we observed that major inflows of the FDI is diverted towards service industry and computer science & IT industry.
7. From this study, we can conclude that government plays a major role in attracting foreign investors into different industrial sectors by changing and regulating norms which, creates an opportunity for the investors in terms of ease of doing business.
8. From this study, we also found that It is likewise seen that aggregate inflows of FDI have been on a consistent ascent with areas like administrations, development ending up being the most appealing objections for FDI. Service Sector have alone gotten Rs. 171,345 crores of FDI from 2000-12 and still remains top in every year.

## 6. CONCLUSIONS

The empirical analysis conducted for this research by selecting the few of the macro variables such as GDP, National Income, real interest rate, exchange rate and Inflation rate to study their impact on foreign direct investment. From the test conducted such as unit root test, Augmented -Dicky Fuller test, Granger casualty test and correlation, we concluded that inflation rate has a positive relationship and have a direct impact on the FDI. As per the granger casualty test, the relationship between exchange rate and FDI was observed while other variables have no relationship with the FDI. From this research we could conclude that FDI helps in the development of different industrial sectors as it attracts foreign investors to invest in different sectors. From this study, we can conclude that government plays a major role in attracting foreign investors into different industrial sectors by changing and regulating norms which, creates an opportunity for the investors in terms of ease of doing business. The research looked to find out the effects of FDI inflows in India whiles deciding the primary variables which elevate FDI to India. The FDI inflows to India can be perceived as a significant supporter of the macroeconomic statures the nation has encountered as of late. The job of FDI in upgrading the degree of social and monetary improvement experienced by the nation is tremendous. This can be considered to be like the effect of FDI in upgrading financial development and residents. This examination exposes the requirement for countries to set up designs and frameworks to advance practical improvement through FDI. It improves information on how best countries advance FDI to the advantage of all whiles limiting the related dangers or difficulties. Be that as it may, the examination didn't join the numerical connection among FDI and other related factors. This might have upgraded the legitimacy of the connections set up. Future examinations could consider upgrading the legitimacy of the connections set up and also think about the intensity of various nations in pulling in FDI. The examination distinguished that the central point affecting the inflow of FDI to India, which is ready of different factors gathered under FDI and Indian economy. A strategic element of speculation is needed for India's supportable financial development and advancement which can be welcomed on board by Foreign Direct Investment (FDI) through making of occupations and upgrade of skillful labour.

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I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward to an appropriate consideration.

With sincere regards

Thanking you profoundly

**Academically yours**

Sd/-
**Co-ordinator**

# DISCLAIMER

# ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

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