International Journal of Advanced Research in Commerce, Management &Social Science (IJARCMSS)
ISSN :2581-7930, Impact Factor : 6.809, Volume 05, No. 04(II), October-December, 2022,pp 115-118

QUALITATIVE FEATURES OF BANKS FINANCIAL REPORTING SYSTEM

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ABSTRACT

Qualitative characteristics are the attributes that give the information handed in the financial statements useful for various decision makers. Financial information that's reported to facilitate profitable decisions should retain certain characteristics or normative norms. The information must be useful in the expression of objects, the making of decisions or the direction and control of resources to negotiate the objects. The utility of information lies in its capability to reduce the uncertainty about the factual state of affairs of an association to the decision makers. The characteristics make information a desirable commodity and guide the selection of favored accounting programs and styles from among available alternative. These characteristics have been viewed as a scale of qualities with utility of the most important decision making. According to the problem under study, banks should consider numerous factors to give a quality of financial reporting information. Therefore fastening on the National and International Accounting Standard (IAS), International Financial Reporting Standard (IFRS), General Accepted Accounting Principles (GAAP), factors of quality of the Accounting Information System (AIS), are veritably important for financial reporting information. This research study focuses on qualitative characteristics using financial reporting information in public sector banks and it's comparing with private sector banks to find the position of financial reporting information gap. This research work won't only increase the quality of financial reporting information in Indian banks but also supporting to increase global market share of Indian banks by ensuring further accuracy and transparences in financial reporting information.

Keywords: *Financial, Reporting, Standards, Accounting, Stakeholder, Organization, Contribution.*

Introduction

Quality of financial reporting information can help the directors of the public and private banks in India to fete the strong and weak points of the banking operation and its status. The present study also can be a good aid for the directors of the bank in decision making towards changing and developing the quality of financial reporting information and educate the government, RBI, investors, depositors, guests and other stakeholders regarding the factual financial status of the banks in the global banking system. The benefactions of the present study are varied in nature. The results of the study may come largely useful for banking associations, Government of India, RBI encountering the problem of quality in relation to financial information system, counting information, financial reporting, and approaches espoused in the present research may help in furnishing new lookouts for future research by the academicians on quality in relation to accounting and financial information. As far as banks, are concerned, the entourages are the significant benefactions of the present study. The use of notes and supplementary information provides the assets to explain and validate certain particulars, which are moreover presented in the financial statements or else affect the financial position and performance of the reporting enterprise. Lately, a lot of attention has been paid to the issue of market discipline in the banking sector. Market discipline, still, works only if market actors have access to timely, applicable and dependable information, which enables them to assess banks " conditioning and the risks essential in these conditioning.

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Importance of Financial Reporting System

Financial reporting is the system that a establishment uses to convey its financial stability to the marketers, investors and other stakeholders. The ideal of financial reporting is to give information on the changes in a establishment’s performance and financial position that can be used to make financial and operating decisions. In addition to being a operation assistant, judges use this information to read the establishment’s capability to produce future earning and as a assets to assess the establishment’s natural value. Other stakeholders similar as creditors, brokers, public, and government agencies will use financial statements as a way to estimate the profitable and competitive strength. Accounting and financial reporting evolved singly and frequently veritably else in different countries. Practice, regulation and especially the mode of regulation differed and frequently varied greatly in these countries. Accounting, especially appropriate and applicable accounting, is a critical tool and an information source in any country’s efforts towards profitable growth and development. On the other hand, the structure of periodic reports and financial reporting has changed dramatically in recent times. Today, periodic reports are no longer confined to the financial statements, but encompass a broad array of fresh matters that must also be bared. No longer concentrated on major results, it now includes prospective elements, similar as guidance on future profit and earnings targets. also, risk of a growing number of non-financial performance criteria is being needed, together with an ever - adding number of financial criteria . Today, financial position reporting has a direct influence on the director’s decisions and it's important for them. In fact, financial reports give a picture of how the establishment runs and can also be a way to cover the business unit and its conditioning from the perspective of operation and the board. External financial reporting should be suitable to present such a view to individualities, shareholders, creditors etc. The primary ideal of financial reporting is to give high- quality financial reporting information concerning profitable realities, useful for profitable decision making. In other words, furnishing high quality financial reporting information is important because it'll ppreciatively impact capital providers and other stakeholders in making investment, credit and analogous resource allocation decisions enhancing overall market effectiveness. Financial reporting isn't an end in itself but is a assets to certain objects. The primary ideal of financial reporting is to give profitable information to permit users of the information to make informed decisions. Users include both the operation of a company (internal users) and others not involved in the diurnal operations of the business (external users). The external users generally don't have access to the detailed records of the business and don’t have the benefit of diurnal involvement in the affairs of the company. They make their decisions grounded on financial statements prepared by operation. According to the FASB, “financial reporting should give information that's useful to present and implicit investors and creditors and other users in making rational investment, credit, and analogous opinions”.

Role of Financial Reporting in Banks

Industries no- matter manufacturing or services have been contributing heavily for the growth of the frugality of the country. The growth is generally measured in terms of the Gross Domestic Product (GDP). But globalized Industries have been facing the problem of keen competition not only from indigenous but also overseas Industries. In the period of globalization, it's the high duty of all the banks to achieve sustained growth and development. It has so happened that a many public sector banks couldn’t manage with the new challenges. This in turn causes serious concern in the hands of the government of India and stakeholders, especially the depositors. As a result survival and growth come the major problems for the banks which were reeling under immortalizing losses. Indian banks were facing the problems of advanced establishment cost, lower earnings, low effectiveness, lower client base, limited area of operation and not so popular products when compared with foreign private banks in India. All these parameters will reflect on the financial soundness and functional effectiveness of the Indian banks in global series. To make educated and in still the confidence of global depositors and the stakeholders is possible by educating all the concerned through its financial statements and its qualitative reporting system. Today all the financial institutions in global market are published its financial information reporting in their own norms and guidelines. Banks should be suitable to deliver information quality and security across the association and beyond the association for its guests, governments and its stakeholders. Thus opting the’ right' accounting systems is veritably important and puts further emphasis on quality of financial reporting information. Indian banks aren't over to the anticipated position in financial reporting, when compared with foreign private sector banks in the global position. There's an imperative need to rebuild the confidence in the minds of the general public about the operation and its financial soundness of the Indian banks. Indian banks hold veritably small share in the global market when compared with the leading transnational private banks. A relative study of the quality of financial reporting information system in banks will educate and in still confidence of the global depositors, investors and stakeholders in respect of quality of banking operation system and financial soundness of Indian banks.

Qualities of Financial Reporting in Banking

The users of the financial reporting need information about the financial position and performance of the bank in making profitable opinions. They're interested in its liquidity and solvency and the risks related to the Assets and Liabilities honored on its balance sheet and to it are off balance sheet particulars. In the interest of full and complete risk, some veritably useful information is better handed, or can only be handed, by notes to the financial statements. The use of notes and supplementary information provides the assets to explain and validate certain particulars, which are moreover presented in the financial statements or else affect the financial position and performance of the reporting enterprise. Banks are encouraged to make further comprehensive risks than the minimum needed under the circulars if they come significant and aid in the understanding of the financial position and performance of the bank. The risk listed is intended only to condense, and not to replace, other risk conditions under applicable legislation or accounting and financial reporting norms. Where applicable, a bank should misbehave with similar other risk conditions as applicable. Banks should expose the accounting programs regarding crucial areas of operations at one place along with notes to accountings in their financial statements. A suggestive list includes; Base of Accounting, Deals Involving Foreign Exchange, Investments – Bracket, Valuation, Advances and provisions Thereon, Fixed assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc. In order to encourage market discipline, Reserve Bank has over the times developed a set of risk conditions which allow the market actors to assess crucial pieces of information on Capital Adequacy, Risk Assessment processes and crucial business parameters which give a harmonious and accessible risk frame that enhances community. Banks are also needed to misbehave with the Accounting Standard No. 1 (AS 1) on risk of counting programs issued by (ICAI). The enhanced risks have been achieved through modification of balance sheet and profit & loss accounting of banks and enlarging the compass of risks to be made in “Notes to Account”. In addition to the 16 detailed specified schedules to the balance sheet, banks are needed to furnish the information in the “Notes to Accountings” capital, investments, derivations, asset quality, business rates, asset liability operation, risks, and others.

The RBI has also issued prudential norms for making banks position more transparent to public. The main elements of prudential norms are income recognition, assets classification, provisioning for loans and advances and capital acceptability. In keeping with rearmost practices at the transnational situations, marketable banks aren't supposed to fete their inflows from non-performing assets on an addendum base and these are to be reserved only when these are actually entered. The policy of income recognition has to be objective and grounded on the record of recovery. Internationally income from non-performing assets (NPA) isn't honored on addendum base but is reserved as income only when it's actually entered. Thus, the banks shouldn't charge and take to income account interest on any NPA. Banks are needed to classify non-performing assets further into the following three orders grounded on the period for which the asset has remained non-performing and the trust ability of the pretenses unacceptable assets, doubtful assets and loss assets. The primary responsibility for making acceptable provisions for any depression in the value of loan assets, investment or other assets is that of the bank management and the statutory adjudicators. The assessment made by the examining officer of the RBI is furnished to the bank to help the bank operation and the statutory adjudicators in taking a decision in regard to making acceptable and necessary provisions in terms of prudential guidelines. Capital acts as a buffer in times of extremity or poor performance by a bank. Adequacy of capital also in stills depositors' confidence. As similar, acceptability of capital is one of the pre-conditions of licensing of a new bank as well as its continuance in business.

Conclusion

The banking assiduity, which is a part of the service sector, has experienced tremendous changes substantially to keep pace with the fast changing global business. Indian banking is completely controlled by the Government of India and attended by RBI. The profitable reform espoused in the financial services stimulates private and foreign banks to operate in India. Indian banking was sewed up by the public sector banks which are completely controlled by the Government of India, These banks act as Government agents and serve hard in picture of the popular scheme of the Government. The profitable reforms paved the way for the competition as the mantra for the survival of the banks. Financial reporting information in the banking assiduity is veritably important for both external and internal users for different decision making towards successful strategies. Also the quality of financial reporting information in the banking assiduity allows for a correct and complete evaluation of the bank conditioning and the establishing of separate bank precedence’s for the delineation of their business horizon. The quality and mileage of counting information depend on the translucency of counting systems on part of the bank. In the environment of globalization the great banks which are titans in the transnational financial market are fighting for supremacy. Power assets information quality, especially in the banking world. High position of the compliance with prudential norms and Accounting norms and high position of qualitative characteristics of financial reporting information system insure banks the path to success. The financial information by banks should be better equipped to respond to nonsupervisory markets, increase translucency and ameliorate the quality of financial reporting. Precedence's include data quality, process standardization, and reporting and analytics. Each bank has its own unique issues, but all operate in one of the most presto- paced, grueling and largely regulated surroundings. Thus, quality of financial reporting is complex and requires co-operation of numerous different areas in the banks. The banks should give in their reports using a common financial reporting frame. This will grease comparison of a banks' financial performance over time and against that of other banks and the assiduity itself. The banks should give a common financial account frame. The frame should comprise the introductory foundations or elements on which the entire financial account structure, Accounting norms and RBI prudential norms of all banks should be grounded.

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