CHAPTER VI
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CHAPTER VI
SUMMARY OF THE FINDING, SUGGESTIONS AND CONCLUSIONS

6.1. Introduction

The focus of the present study has been on investigating the qualitative characteristics of financial information reporting based on the perception of 465 sample respondents selected by random sampling basis from public and private sector banks in Karnataka. The test on quality of financial information reporting was conducted by making comparative analysis of the perceptions of the gap between the actual score and expected score, difference in the quality of financial reporting information between public and private sector banks, and also finding that impact of RBI prudential norms and Accounting Standards on quality of financial information reporting on the basis of certain fundamental hypotheses. The numbers of sample respondents for the present study consisted of 116 top managers, 115 senior managers, and 234 second managers or accountants. The study included the perceptions on four components of the qualitative characteristics of financial reporting information: relevance, reliability, understandability, and comparability.

The specific objectives of the study were as follows:

- to examine the relevance, reliability, understandability and comparability of financial reporting information disclosed by banks in India,
- to examine the impact of RBI prudential norms on quality of financial reporting,
- to examine the impact of Accounting Standard on quality of financial reporting, and
- to compare the quality of financial reporting between the public and private sector banks in India.
The hypotheses formulated for testing in this study were as follows:

- there is a gap between the actual score and expected score regarding the quality of financial reporting in banks,
- there is difference between the public and private sector banks regarding the quality of financial reporting,
- higher the compliance with RBI prudential norms, higher is the quality of financial reporting in banks, and
- the higher the compliance with Accounting Standard, the higher is the quality of financial reporting in banks.

The research methodology of the present study involved the use of both primary and secondary data. The secondary data provided a springboard to getting updated on the research topic with a focus on theoretical dimensions of qualitative characteristics of financial reporting information, and empirically tested conclusions on one hand and the research methodologies adopted by various researches from the viewpoint of qualitative characteristics related to financial reporting information on the other, the primary data was collected through a structured questionnaire which was based on a pilot survey. Five-point Likert scale questionnaire instrument has been used in the present research. The questionnaire consisted of two sections. The first section sought the information on demographic variables of the sample respondents and the second section focused on eliciting responses from sample respondents on the qualitative characteristics related of financial reporting information, compliance with RBI prudential norms and compliance with Accounting Standards in public and private sector banks.

A sample of all 47 public and private sector banks in India was selected for purpose of this study. The sample was on the basis 10% of the total number of branches
both of the public and private sector banks in Karnataka, out of 535 respondents selected for the study, 465 responses was received representing a response rate of 87%. The study used various statistical methods for analyzing the collected data, the study used paired sample t-test to test the gap between 2 means, the study need to examine the gap between the actual score and expected score regarding the quality of financial reporting in banks. Independent t-test involves examination of the differences on one factor or dimension (dependent variable) between means of two independent groups. The study attempted to examine the difference between the public and private sector banks regarding the quality of financial reporting. The study used Independent T-test for test of second hypotheses. Regression estimates the coefficients, involving one or more independent variables that best predict the value of the dependent variable. Multiple regression analysis with RBI prudential norms independent variables and quality as dependent variable was used to test the hypothesis relating the impact of RBI prudential norms on quality of financial reporting in banks. Also multiple regression analysis with Accounting Standards independent variables and quality as dependent variable was used to test the hypothesis relating impact of Accounting Standards on quality of financial reporting in banks.

6.2. Major Findings of the Study

- Majority of the respondents were of public sector banks and the sample respondents numbering 375 and representing 80% of total sample respondents.
- The first group of the respondents was 94 top level managers which encompasses 25% of the total sample respondents of public sector banks. Next in the respondents were 93 senior managers and comprises 25% while the third respondents were second level 188 managers or accountants which cover 50% of the total number of respondents from public sector banks.
In this study 90 respondents were from the private sector banks, representing 20% of total sample respondents.

The first group of the respondents was 22 top managers representing 24% of the total number of respondents of private sector banks. The second group of the respondents was 22 senior managers representing 24% and the third group of the respondents were 46 second managers or accountants representing 52% of the total number of respondents of private sector banks.

Majority of the respondents were males including 395 representing 85% of the total sample as against 70 female representing 15%.

Among male bankers, in the public sector banks the per cent of top managers, senior managers and accountants stood at 89%, 91% and 86% respectively, while in the private sector banks the per cent of top managers, senior managers and accountants stood at 68%, 77% and 72% respectively.

Among female, in the public sector banks the per cent of top managers, senior managers and accountants stood at 11%, 9% and 14% respectively, while in the private sector banks the per cent of top managers, senior managers and accountants stood at 32%, 23% and 28% respectively.

Majority of the respondents were bachelor's degree holders and their number stood at 231 representing 50% as against Professionals numbering 110 and representing 23%. Masters degree holders numbered 92 and represented 20% while others numbered 32 and represented 7%.

Among bachelors, in the public sector banks the percent of top managers, senior managers and accountants stood at 47%, 51% and 53% respectively, while in the private sector banks the percent of top managers, senior managers and accountants stood at 9%, 18% and 35% respectively.
• Amidst professionals, in the public sector banks the percent of top managers, senior managers and accountants stood at 27%, 21% and 21% respectively, while in the private sector banks the percent of top managers, senior managers and accountants stood at 41%, 32% and 26% respectively.

• Among the masters, in the public sector banks the percent of top managers, senior managers and accountants stood at 22%, 21% and 18% respectively, while in the private sector banks the percent of top managers, senior managers and accountants stood at 36%, 41% and 30% respectively.

• Amid others, in the public sector banks the percent of top managers, senior managers and accountants stood at 4%, 7% and 8% respectively, while in the private sector banks the percent of top managers, senior managers and accountants stood at 14%, 9% and 9% respectively.

• Over 6% average gap between expected and actual score in the relevance of financial reporting information indicators in Indian banks in respect of predicative value and confirmatory value. This gap reflects negatively on the decision making process of the mangers, shareholders, investors in taking an appropriate decision in banks estimations of returns, profit, social responsibility, bank liquidity, and the fair value of the financial reports in the global educative market.

• Financial reporting system practices in Indian banks have about 4.4% gap in respect of reliability of financial information. This gap influences negatively on Indian banking system in the mind of global customers about the governance, bonuses related information, quality of audit and decision making process.

• About 87% of the responded opined that, there is a 5.8% gap between the actual score and expected score regarding understandability of financial reporting in Indian
banks. This makes confusions in the minds of the investors, policy makers, and stakeholders, in choosing Indian banks as their option.

- The study reveals that there is a 6.6% difference in the actual score and expected score about comparability of financial reporting information in Indian banks. In the competitive global market, Indian banks also are marketing their banking products. To ensure market potentialities, the banks must disclose their financial information through which the users can easily understand and make comparison.

- The practice of qualitative characteristics of financial reports in Indian banking system in respect of relevance, reliability, understandability and comparability are not matching the expected standard of accounting as per the opinions of 87% of the respondents. The study found that, the expected score is 79.6% and it is clearly obvious that, the expected level of accounting knowledge is lower in banking people compared with the global standards.

- The study found that there is a statistically significant gap between the actual score and expected score relating to the quality of financial reporting in Indian banks.

- The private and public sector banks strictly follow the prudential norms of RBI and accounting principles in India in disclosing their financial reporting information. Still it is unfortunate that, there is a difference between the public and private sector banks to the extent of 9.4% in relevance of financial reporting information.

- The study identifies that, private sector banks have shown to be more qualitative that the public sector banks in respect of relevance of financial reporting information.

- Concerning reliability, the private sector banks are upper hand in disclosing the financial reporting information regarding the neutrality and verifiability 85.4% and 85% respectively when compared with public sector banks 67.2% and 75% respectively as per the survey.
The study discloses that, the public sector banks are holding higher degree in disclosing the financial reporting information regarding to completeness and free from material error 83% and 78.8% respectively when compare to private sector banks 81.4% and 76.8%.

The public sector banks have shown more reliability in corporate governance completeness, practicing the audit 91.4% and 86.4 respectively when compared to private sector banks 77.2% and 74.8% respectively.

The study also depicts that, disclosing the private sector banks' financial reporting information in respect of reliability with 82.2% is more qualitative than public sector banks with 76%.

The study furthermore reveals that, disclosing the public sector banks' financial reporting information in respect of understandability with 76.4% is more qualitative than private sector banks whit 75.8%.

The public sector banks indicated higher score in understandability of financial reporting when compared to private sector banks. The main reason for this difference score is that there exists high degree of jargon in annual reports 82.2%, size of the glossary 57.4% and classifications financial statement's elements 73% when compare with private sector banks 79.6%, 50.2% and 71.8 percent respectively.

The private sector banks have shown more understandability in organized annual report 93.4%, presented of graphs and tables 61.8% and information concerning mission and strategy 86.8% when compared with public sector banks 93%, 57.6% and 85.8% respectively.

The financial reporting information in public sector banks has a higher degree 70.4% of comparability when compared to private sector banks 68.4%. The study also
shows that, there is a significant difference in the comparability of financial information between the public and private sector banks.

- There is an average gap of 2% between the public and private sector banks regarding comparability of financial reporting information indicators which is as result of consistency and comparable.

- The main reason for low score in comparability of financial reporting information in private sector banks when compared to public sector banks, is that there exists high degree of consistency and comparability with regard to using changes in accounting policies disclosure, benchmark information, financial index numbers and better disclosed items of previous year represented in financial reporting's public sector banks.

- The private sector banks are upper hand in disclosing the financial reporting information regarding to relevance and reliability 80.2% and 82.2% respectively when compared to public sector banks 70.8% and 76% respectively.

- The public sector banks are higher in disclosing the financial reporting information regarding to understandability and comparability 76.4% and 70.4% respectively when compared to private sector banks 75.8% and 68.4% respectively.

- The study reveals that the quality of financial reporting in the private sector banks was rather higher 76.6% than the public sector banks 73.4%. The reason for the above result must be because of the fact that the private sector banks try to gain the customers' reliance and to achieve acceptable auditing reports in order to reduce operational risks are more willing to consider and apply the accounting standards. This can be one of the factors explaining the difference related to the quality level reporting between private and public sector banks.
• The study found that there is a statistically significant difference between the public and the private sector banks regarding the quality of financial reporting.

• The compliance in actual performance in financial reporting with RBI prudential norms in Indian banking system is catching up a satisfying level. The study shows, the score of compliance in actual performance in financial reporting with RBI prudential norms in Indian banking system average is 90.6% which is at a very satisfying level.

• Indian public sector banks are preparing the financial report based on the guidelines of RBI prudential norms, due to proper controller supervision of RBI. The public sector banks financial reporting information is more compliance with RBI prudential norms than private sector banks' financial reporting information. The reason for the above result can be due to the obligatory nature of the RBI prudential norms especially in the public sector banks 94% in which the compliance in actual performance in financial reporting is more than private sector banks 87.4%.

• The study found that, higher the compliance with RBI prudential norms, higher is the quality of financial reporting in Indian banks.

• The study shows, the score of compliance in actual performance of financial reporting with Accounting Standards in Indian banking system average is 81.4 %.

• Indian private sector banks hold upper hand 85.8% compared to the public sector banks 77% in practicing the Indian Accounting Standards regarding the financial reports.

• The study also made clear that, the compliance in actual performance of financial reporting with Accounting Standards in Indian banking system need to be improved.

• The study found that, higher the compliance with Accounting Standards, higher is the quality of financial reporting in Indian banks.
6.3. Testing of the Hypotheses

Hypothesis 1:

\[ H_1: \text{There is a gap between the actual score and expected score regarding the quality of financial reporting in Indian banks.} \]

This hypothesis tested the gap between the actual score and expected score regarding the quality of financial reporting in Indian banks. To test hypothesis 1, dependent sample t-test were used and the descriptive statistics and the computation of t-value were tabulated in tables 6.1 & 6.2 and analyzed subsequently. The result obtained shows that, there is a gap between the actual score and expected score for quality of financial reporting in Indian banks. As per tables below, it is seen that \( \text{sig} = 0.001 < 0.05 \), so, hypothesis 1 is accepted.

Table No.6.1

<table>
<thead>
<tr>
<th>Group samples statistics of gap between actual and the expected score on quality of financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Score</td>
</tr>
<tr>
<td>Actual Score</td>
</tr>
<tr>
<td>Expected Score</td>
</tr>
</tbody>
</table>

In confirmation hypothesis 1 it was discovered that, the actual score on quality of financial reporting information was 3.70 i.e. equal to 74\%, whereas on the average, the expected score was 3.98 i.e. equal to 80\%.

Table No.6.2

<table>
<thead>
<tr>
<th>Paired sample t-test of gap between actual and the expected score on quality of financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Difference</td>
</tr>
<tr>
<td>Actual Score Expected Score</td>
</tr>
<tr>
<td>Actual Score Expected Score</td>
</tr>
</tbody>
</table>
Hypothesis 2:

\( H_2: \text{There is a significant difference between the public and private sector banks regarding the quality of financial reporting.} \)

This hypothesis tested the difference in quality of financial reporting between public and private sector banks. To test hypothesis 2, independent sample t-test were used and the descriptive statistics and the computation of t-value were tabulated in tables 6.3 & 6.4 and analyzed subsequently. The result obtained shows that the quality of financial reporting is different between the public and private sector banks in India. As per tables below, it is seen that \( \text{sig} = 0.001 < 0.05 \), so, hypothesis 2 is accepted.

Also, 95% confidence interval for difference between the public and private sector banks regarding the quality of financial reporting of these two groups shows low limit and high limit in table 6.4

<table>
<thead>
<tr>
<th>Table No.6.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group statistics of difference between public and private sector banks on quality of financial reporting</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Public Sector</td>
</tr>
<tr>
<td>Private Sector</td>
</tr>
</tbody>
</table>

In confirmation hypothesis 2 it was discovered that, the quality of financial reporting information in the public sector banks was 3.67 i.e. equal to 73%, whereas on the average, in private sector banks was 3.83 i.e. equal to 77%.

<table>
<thead>
<tr>
<th>Table No.6.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-test for equality of means of quality of financial reporting information</td>
</tr>
<tr>
<td>Mean Difference</td>
</tr>
<tr>
<td>Equal variances assumed</td>
</tr>
</tbody>
</table>
Hypothesis 3:

\[ H_3: \text{Higher the compliance with RBI prudential norms, higher is the quality of financial reporting in banks.} \]

Multiple coefficients of correlation were used to assessment the impact of RBI prudential norms on quality of financial reporting in banks. In this way, independent variables (RBI prudential norms) as predictor variables and dependent variable (quality) as a criterion variable were entered with the enter method into regression equation. The multiple coefficient of correlation between the variables in total sample (R=0.543) and R-Square to explanation of variance of quality was \( R^2=0.547 \) that implies 55% of variance of quality is able to be explained on the basis of predictor variables.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R-Square</th>
<th>Adjusted-R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.739</td>
<td>0.547</td>
<td>0.543</td>
<td>0.18224</td>
</tr>
</tbody>
</table>

Analysis of variances was used to determine the significance of R-Square. Since the proportion of observed F(138.68) with the degree of freedom (4,460) was more than its critical value (0.195), the R-Square (0.547) and sum up the regression was statistically significant (P=0.001). Therefore, the results showed that there is a multiple correlation between the RBI prudential norms and quality of financial reporting in model enter (R=0.739; \( R^2=0.547 \); df= 4, 460; F=138.68 and P=0.001) (Table 6.5). The study accepted the hypothesis 3.

<table>
<thead>
<tr>
<th>Table No.6.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>18.423</td>
<td>4</td>
<td>4.606</td>
<td>138.68</td>
<td>0.001</td>
</tr>
<tr>
<td>Residual</td>
<td>15.277</td>
<td>460</td>
<td>0.033</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33.700</td>
<td>464</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: Quality

As shown in the table 6.6, Asset Classification (Beta=0.594, t=9.05, P=0.001), Provisioning Norms (Beta=0.474 t=6.07, P=0.001), Income Recognition (Beta=0.286,
t=5.98, P=0.001) and Capital Adequacy (Beta=-0.179, t=-2.77, P=0.006) were the best predictors of quality respectively.

Table No.6.6

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.402</td>
<td>0.146</td>
<td>1.649</td>
<td>0.001</td>
</tr>
<tr>
<td>Asset Classification</td>
<td>0.398</td>
<td>0.044</td>
<td>0.594</td>
<td>9.054</td>
</tr>
<tr>
<td>Provisioning Norms</td>
<td>0.268</td>
<td>0.0056</td>
<td>0.474</td>
<td>6.068</td>
</tr>
<tr>
<td>Capital Adequacy</td>
<td>-0.106</td>
<td>0.038</td>
<td>-0.179</td>
<td>-2.770</td>
</tr>
<tr>
<td>Income Recognition</td>
<td>0.255</td>
<td>0.063</td>
<td>0.286</td>
<td>5.985</td>
</tr>
</tbody>
</table>

Dependent variable: Quality

Hypothesis 4:

H₄: Higher the compliance with Accounting Standards, higher is the quality of financial reporting in banks.

Multiple coefficients of correlation were used to assessment the impact of Accounting Standards on quality of financial reporting in banks. In this way, independent variables (Accounting Standards) as predictor variables and dependent variable (quality) as a criterion variable were entered with the enter method into regression equation. The multiple coefficient of correlation between the variables in total sample (R=0.874) and R-Square to explanation of variance of quality was (R²=0.764) that implies 76% of variance of quality is able to be explained on the basis of predictor variables.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R-Square</th>
<th>Adjusted R-Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.874</td>
<td>0.764</td>
<td>0.759</td>
<td>0.13217</td>
</tr>
</tbody>
</table>

Analysis of variances was used to determine the significance of R-Square. Since the proportion of observed F(184.15) with the degree of freedom (8,456) was more than its critical value (0.195), the R-Square (0.764) and sum up the regression was statistically significant (P=0.001). Therefore, the results showed that there is a multiple
correlation between the Accounting Standards and quality of financial reporting in model enter (R=0.874; R²=0.764; df= 8, 456; F=184.15 and P=0.001) (Table 6.7). The study accepted the hypothesis 4.

### Table No.6.7

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>25.734</td>
<td>8</td>
<td>3.217</td>
<td>184.15</td>
<td>0.001</td>
</tr>
<tr>
<td>Residual</td>
<td>7.966</td>
<td>456</td>
<td>0.017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33.700</td>
<td>464</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: Quality

As shown in the table 6.8, AS18 Related Party Disclosures (Beta=0.494, t=4.941, P=0.001), AS25 Interim Financial Reporting (Beta=0.358, t=2.801, P=0.005), AS15 Retirement Benefits (Beta=-0.104, t=2.499, P=0.013) and AS5 Prior Period Items (Beta=0.135, t=2.221, P=0.027) were the best predictors of quality respectively.

### Table No.6.8

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.116</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AS5 Prior Period Items</td>
<td>0.065</td>
<td>0.135</td>
<td>2.221</td>
<td>0.027</td>
</tr>
<tr>
<td>AS9 Revenue Recognition</td>
<td>0.014</td>
<td>0.037</td>
<td>0.662</td>
<td>0.508</td>
</tr>
<tr>
<td>AS15 Retirement Benefits</td>
<td>-0.027</td>
<td>-0.104</td>
<td>-2.499</td>
<td>0.013</td>
</tr>
<tr>
<td>AS18 Related Party Disclosures</td>
<td>0.172</td>
<td>0.494</td>
<td>4.941</td>
<td>0.001</td>
</tr>
<tr>
<td>AS22 Taxes on Income</td>
<td>0.038</td>
<td>0.074</td>
<td>0.880</td>
<td>0.379</td>
</tr>
<tr>
<td>AS25 Interim Financial Reporting</td>
<td>0.146</td>
<td>0.358</td>
<td>2.801</td>
<td>0.005</td>
</tr>
<tr>
<td>AS26 Intangible Asset</td>
<td>0.037</td>
<td>0.124</td>
<td>1.004</td>
<td>0.316</td>
</tr>
<tr>
<td>AS28 Impairment of Assets</td>
<td>-0.025</td>
<td>-0.080</td>
<td>-1.384</td>
<td>0.167</td>
</tr>
</tbody>
</table>

Dependent variable: Quality

6.4. Some of the Major Suggestions

6.4.1 The Bank Employees and Bank Managements

- Banking education and continues training for banks managerial staff will ensure in updating required knowledge and proficiency in the Accounting Standards in practicing the preparations of financial reporting system in banks.
• Using of Accounting Information System (AIS) and particular integrated software packages in accounting in preparing the financial reporting information will reduces the gap between expected score and actual score.

• Training and development a play has becomes method of necessity in every organization under diversified business environment. Every institutions has to function realize the significance of survival of fittest. The employees must acquire request skill, knowledge, abilities to meet any challenges of the global financial reporting information standard. The Indian banks must made an arrangement to conduct suitable methods of training for the benefits of the employees, so that every employees will have to undergo the training periodically. Training and development may be considered as parameter in the performance appraisal or self appraisal, so that the issue con decides about the ability of the employees in the process of promotion.

• The management may come out with road map of having the quality of financial reporting information, they must accord global standard. The global customer is look for only quality of information's. Which has been shell embodies in the GATS. In sequent, the public sector banks have toned up the financial information system keeping the global bench mark in mind.

• The banking information reporting is governed by GATS of the WTO. The employees of the banks in stated of being complied with what they are, shall acquire required skills, knowledge and abilities both on and off the job, mainly in preparing the financial reporting information as it is globally accepted.

6.4.2 Government and RBI

• Indian banks have to function under global environment. The banks have to train up their personnel keeping economic environment, political environment, legal
environment, socio cultural environment and technological environment. Further the Indian banking sector should transform them from ethno centric approach to geo centric approach, through polycentric and re-geocentric approach. This transformation will be necessary to adopt the important of qualitative characteristics in financial reporting information.

- RBI may gear up to orient the employees on the role of banks in the competitive arena. Obviously the banks have to impart knowledge at the brooder prospective which operationally includes the impact of GATS on banking industry in general and financial reporting information system in particular.

- Indian banks needs to follow uniform reporting system irrespective of the fact whether public or private sector banks. This is indeed very essential to reduce the confusion which otherwise enumerate wrong decisions on the all respective stakeholders.

- RBI may bring out strategies to strengthen financial reporting process among Indian banks instead of advocating privatization banks.

- The administrative machinery of the RBI and central government should avoid delay in the process of giving effect to the arrangement compulsory implementation of Accounting Standards and principles. Time bound presently government especially cabinet committee on financial affairs takes two years to accord clearance.

- RBI should be continuously making efforts to issuing Master Circulars on prudential norms with the international best practices with a view to aligning standards adopted by the Indian banking system with the global standards.
• The professional accounting body in India, the Institute of Chartered Accountants of India (ICAI), should develop an accounting standard for Indian banks' accounting and reporting in accordance with International Financial Reporting Standards (IFRS).

• RBI should introduce an awareness program for improving the degree of compliance with RBI prudential norms by specified Indian banks.

• RBI should introduce an awareness program for improving the degree of compliance with accounting requirements by specified Indian banks.

6.4.3 General Recommendations

• All the users of financial reporting including investors, accountants, auditors, and customers will need to develop an understanding of IFRS provisions to varying degrees and what they need to do.

• The study recommends for compliance with accounts and audit provisions of different legislations, generally accepted accounting principles and governance system to improve the relevance and reliability of financial information especially, in the public sector banks.

• The financial information by banks should be better equipped to respond to regulatory requests, increase transparency and improve financial reporting. Priorities include data quality, process standardization, and reporting and analytics.

• Indian banks each have its own unique issues, but all operate in one of the most fast-paced, challenging and highly regulated environments. Therefore, the quality of financial reporting is complex and requires co-operation of many different areas in the banks.

• The banks should provide their reports with the help of using a common financial reporting system framework. This will facilitate the comparison of a banks' financial
performance over time and against that of other banks and the industry itself. The risk-based assessment of financial reports is thus simplified.

- The banks should introduce a common financial accounting system framework. The framework should comprise the basic foundations or elements on which the entire financial accounting infrastructure, Accounting Standards and RBI prudential norms of all banks should be based.

6.4.4 Recommendations for Future Research

The researcher could hint the following as the area of future research:

- Any evaluation financial reporting system in consolidation of banking financial source- a comparative study between public, foreign and private sector banks.
- The importance of IFRS on consolidation of Indian banking industry- a study of public sector banks.
- Qualitative characteristics of financial reporting information in Indian companies- a comparative study between public and private companies.
- Relevance of International Financial Reporting Standard (IFRS) and International Accounting Standard (IAS) in preparing financial reporting in Indian banking Industry.

6.5. Conclusion

The service sector assumes a pivotal role in the economic development, thanks to General Agreements on Trade and Services (GATS). The service sector mainly covers insurance, hotel, transportation, communication, banking, tourism, information technology and bio-technology. The advance countries have accorded a greater significance to the service sector, as they realized not only the spurt in the activities of
services but also their robust contribution to the Growth Domestic Product (GDP). In India, service sector accounts for about 60% to the GDP of the country for the last five years. The service sector could occupy a prominent position in India by 2020, as has been pointed the out global corporate.

The banking industry, which is a part of the service sector, has undergone tremendous changes mainly to keep pace with the fast changing global business. Indian banking is fully controlled by the Government of India and escorted by RBI. The economic reform adopted in the financial services stimulates private and foreign banks to operate in India. Indian banking was monopolized by the public sector banks which are fully controlled by the Government of India, These banks act as Government agents and serve hard in rendering of the popular scheme of the Government. The economic reforms paved the way for the competition as the mantra for the survival of the banks.

Financial reporting information in the banking industry is very important for both external and internal users for different decision making towards successful strategies. Also the quality of financial reporting information in the banking industry allows for a correct and complete evaluation of the bank activities and the establishing of respective bank priorities for the delineation of their business horizon. The quality and utility of accounting information depend on the transparency of accounting systems on part of the bank. In the context of globalization the great banks which are giants in the international financial market are fighting for supremacy. Power means information quality, especially in the banking world. High level of the compliance with prudential norms and Accounting Standards and high level of qualitative characteristics of financial reporting information system ensure banks the path to success.

The financial information by banks should be better equipped to respond to regulatory requests, increase transparency and improve the quality of financial
reporting. Priorities include data quality, process standardization, and reporting and analytics. Each commercial bank has its own unique issues, but all operate in one of the most fast-paced, challenging and highly regulated environments. Therefore, quality of financial reporting is complex and requires co-operation of many different areas in the banks. The banks should provide in their reports using a common financial reporting framework. This will facilitate comparison of a banks' financial performance over time and against that of other banks and the industry itself. The banks should provide a common financial accounting framework. The framework should comprise the basic foundations or elements on which the entire financial accounting infrastructure, Accounting Standards and RBI prudential norms of all banks should be based.

Due to the importance of what was discussed above, in this research, the researcher was determined to bridge the gap existed in financial reporting information in Indian banking industry and finally reached to the results that may be helpful. These results are abridged and presented one by one according to the order of the hypotheses of this research study.

As a conclusion for the results regarding the first hypothesis (the gap between actual and expected score regarding the qualitative characteristics of financial reporting information disclosed by Indian banks) we can conclude that:

- Regarding the **Relevance**, there is a 6% gap between actual and expected scores regarding the qualitative characteristics of financial reporting information in respect of relevance in Indian banks which is related to the predictive and confirmatory value. This gap has potentially negative effects on the decision making process of the managers, shareholders, investors in taking an appropriate decision in banks estimations of returns, profit, social responsibility, bank liquidity, and the fair value of the financial reports in the global educative market.
• Regarding the **Reliability**, there is a 4.4% gap between actual and expected scores. This gap has also negative effects on Indian banking system in the mind of global customers about the governance, bonuses related information, quality of audit and decision making process.

• Regarding the **Understandability**, there is a 5.8% gap between actual and expected scores. This gap can bring confusions in the minds of the investors, policy makers, and stakeholders, in choosing Indian banks as their option.

• Regarding the **comparability**, there is a 6.6% gap between actual and expected scores. This gap makes the comparison difficult for managers. Needless to say that, to ensure market potentialities, the banks must disclose their financial information through which the users can easily understand and make comparison.

In general this study revealed that the qualitative characteristics of financial reporting information in Indian banking system in respect of relevance, reliability, understandability, and comparability are lower than the expected score.

As a conclusion for the results regarding the second hypothesis (differences between public and private banks in qualitative characteristics) we can conclude that:

• Regarding the **Relevance**, although the private and public sector banks strictly follow the prudential norms of RBI and accounting principles in India in disclosing their financial reporting information, there is a difference between the public and private sector banks to the extent of 9.4% in relevance of financial reporting information. That is, the private sector banks have shown to be more qualitative that the public sector banks in respect of relevance of financial reporting information.

• Regarding the **Reliability**, the private sector banks are upper hand in disclosing the financial reporting information regarding the *neutrality* and *verifiability* when compared with public sector banks on the one hand, and the public sector banks are
holding higher degree in disclosing the financial reporting information regarding to completeness and free from material error when compare to private sector banks from the other hand. In other words, the reliability of financial reporting information in private sector banks is higher than public sector banks.

- Regarding Understandability, The public sector banks revealed to have more understandability in degree of jargon in annual reports, size of the glossary, and classifications financial statement's elements when compare with private sector banks. On the other hand, the private sector banks have shown more understandability in organized annual report, presented of graphs and tables and information concerning mission and strategy. However, in general the public sector banks indicated a higher score in understandability of financial reporting information when compared with private sector banks.

- Regarding Comparability, there is a slight difference between the public and private sector banks regarding comparability of financial reporting information indicators which is as a result of consistency and comparable aspect. The main reason for low score in comparability of financial reporting information in private sector banks when compared to public sector banks, is that there exists high degree of consistency and comparability with regard to using changes in accounting policies disclosure, benchmark information, financial index numbers, and better disclosed items of previous year represented in financial reporting's public sector banks.

In general, the financial reporting information in public sector banks has a higher degree of comparability when compared to private sector banks. The study also showed that, there is a significant difference in the comparability of financial information between the public and private sector banks.
As a conclusion for the results regarding the third hypothesis (compliance with RBI prudential norms in Indian banks) we can conclude that:

- The compliance in actual performance in financial reporting with RBI prudential norms in Indian banking system is catching up a satisfying level.
- Indian public sector banks are preparing the financial report based on the guidelines of RBI prudential norms, due to proper controller supervision of RBI. In public sector banks the financial reporting information is more compliance with RBI prudential norms than private sector banks' financial reporting information. The reason for the above result can be due to the obligatory nature of the RBI prudential norms especially in the public sector banks in which the compliance in actual performance in financial reporting is more than private sector banks.

In general, this study revealed that the higher the compliance with RBI prudential norms, the higher quality of financial reporting information in Indian banks.

As a conclusion for the results regarding the fourth hypothesis (compliance with Accounting Standards in Indian banks) it can be concluded that:

- Indian private sector banks hold upper hand when compared with the public sector banks considering the Indian Accounting Standards regarding the financial reports.
- The total average for both public and private sector of compliance in actual performance of financial reporting with Accounting Standards in Indian banking system stood at 81.4% which seems to need to be improved.

In closing, the higher the compliance with Accounting Standards, the higher is the quality of financial reporting in Indian banks.