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Aims and Scope

The Journal of Accounting (JAC) is a peer reviewed academic journal. The main focus of our journal is to encourage research from areas of social and environmental critique, exploration and innovation as well as from more traditional areas of accounting, finance, financial planning and banking research. The Journal of Accounting covers a wide variety of topics including:

- Auditing
- Accounting Information Systems
- Accounting Education
- Accounting for Non-profit Organizations
- Cost Accounting
- Investments
- Management Accounting
- Public Sector Accounting
- Social Accounting
- Tax

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Measuring Firms Financial Health -A Study on Top 5 Nifty Private Banks By Using Altman Z-Score Model

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ABSTRACT

The private-sector banks in India represent the second major part of the banking sector in India, are banks where greater parts of stake or equity. Initially all the banks in India were private banks, which were founded prior Indian Independence to provide the banking services to all the Indian citizens. In 1921, three major banks i.e. Bank of Bombay, Bank of Madras and Bank of Bengal were merged to form Imperial Bank of India. The Reserve Bank of India was are held by the private shareholders and not by government established in the year 1935 and took overall central banking responsibilities from the Imperial Bank of India, which in turn transferring commercial banking as well. The financial statements of the firm reveal its Performance by disclosing varied information. The present study is an effort to analyse the financial health of top 5 NSE private banks for the period 2013-2014 to 2017-18. Altman's Z-score model is used to find the select companies health zone during the study period.

Keywords: Banking Industry, Z Score, Indian Private Banks, Financial Health.

I. INTRODUCTION

The private-sector banks in India represent the second major part of the banking sector in India, are banks where greater parts of stake or equity. Initially all the banks in India were private banks, which were founded prior Indian Independence to provide the banking services to all the Indian citizens. In 1921, three major banks i.e. Bank of Bombay, Bank of Madras and Bank of Bengal were merged to form Imperial Bank of India. The Reserve Bank of India was are held by the private shareholders and not by government established in the year 1935 and took overall central banking responsibilities from the Imperial Bank of India, which in turn transferring commercial banking as well. In 1955, after the declaration of first-five year plan, Imperial Bank of India was then transformed into State Bank of India (SBI). Following this, the nationalization of major banks in India took place on July 19, 1969. The Government of India issued an ordinance and nationalized the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad Bank, Canara Bank, Central Bank of India, etc. Thus, public sector banks revived to take up leading role in the banking structure. In 1980, the GOI nationalized 6 more commercial banks, with control over 91% of banking business of India. In 1994, the Reserve Bank of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation banks. Global Trust Bank was the first private bank after liberalization which was later amalgamated with Oriental Bank of Commerce (OBC). Then Housing Development Finance Corporation Limited (HDFC) became the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. As of now, Private Banks in India includes leading banks like ING Vysya Bank, ICICI Bank, Karur Vysya Bank, Jammu & Kashmir Bank, Yes Bank, Karnataka Bank, Kotak Mahindra Bank, SBI Commercial and International Bank, etc.

Undoubtedly, being tech-savvy and full of technical skills, private banks have played an important role in the development of Indian banking industry. They have made the banking and banking related activities more effective and customer friendly. In the process they have jolted public sector banks out of contentment and enforced them to become more competitive in the Indian Banking Sector.

Global financial crisis blessed with growing inflation, currency depreciation, fiscal uncertainty, high level of interest rates and subdued industrial production was strong enough to break down the resilience of financial sector. The collapse of financial giants Lehman brothers and Merrill Lynch bought distress to many financial institutions across the globe. There are different methods of measuring this distress like capital adequacy ratio, profitability, liquidity or hybrid model like CAMEL rating. An important model to analyse financial soundness / distress of any corporate house is Altman Z score model. The model scores the financial soundness of corporate house in terms of Z values. Z score has originally been devised by Edward Altman to signal the possibility of financial bankruptcy of manufacturing units. But since then it has been frequently updated to make it applicable to private companies, non-manufacturers and entities indulge in emerging credit. The model claims for more than 70% accuracy in predicting corporate bankruptcy. But unfortunately it was least explored by researchers while studying financial soundness of banks. In this context, the present study tests the efficacy of Altman model in Indian banking sector.

II. LITERATURE REVIEW

Maria Carapeto et. al (2010) investigated that the Distress classification measures in the banking sector. This paper investigates distress classification measures in the banking sector.

The power of ten different accounting measures is tested using media coverage as the benchmark for a sample of 1,175 banks which participated in merger and acquisitions or divestiture deals over the past 22 calendar years. According to the results of the study, a bank should be defined as distressed if the ratio of its non-performing loans to total loans is in the two highest decade of the industry, using a three-year moving average. This measure is typically favoured by practitioners, who maintain that other common measures e.g., those involving provisions for loan losses are not as accurate as they express only a managerial forecast.

Jasmine Rose Chieng (2013) Verifying the Validity of Altman's Z" Score as a Predictor of Bank Failures in the Case of the Eurozone. In light of recent events that have taken place in the Eurozone, the importance of knowing the financial position of banks is imperative to stakeholders. Majority of literature examines the applicability of Altman's Z" Score model to forecasting banking failures. The focus of this study is to confirm the validity of Altman's Z" Score model as a predictor of Eurozone bank failures. Four distressed banks were benchmarked to four comparable control banks. Ratio analysis was carried out on the failed bank's financial statements for five years prior to their bankruptcy or nationalisation as the Z" Score model has predictive power of up to five years pre-bankruptcy. The empirical findings verified the predictive ability of the Z" Score model to the euro area banks.

Ihsan Ilahi et al (2015) studied The Financial Performance Analysis of Pakistan Banking Sector using the ALTMAN Z-score Model of Corporate Bankruptcy. In this study commercial Banks are the most important contributor in the economic development of a country having a huge impact on capital and credit markets of the country. The aim of this study is to explore if commercial banks have financial difficulties.. The results illustrate that all commercial banks in this model are in monetary troubles but in fact, those commercial banks are operating successfully. So, the Z score model is unable to predict bankruptcy (pecuniary Performance) of financial institutions (Commercial Banks).

Abdullah M (2015) studied An Empirical Analysis of Liquidity, Profitability and Solvency of Bangladeshi Banks. He studied that the investor uses various ratios and trend analysis to invest in capital market. In this research I take 29 banks as sample size and calculate their different ratios. The emphasis of this research was to check the position of Altman's Z-Score model as a predictor of Bangladeshi bank failures. This research indorsed that those banks are in insolvent zone for their published financial review or trend statement. This supplementary material is probable to intensification stockholder assurance by their ability to make more conversant decisions.

Nishi Sharma & Mayanka (2015) assessed Altman Model to check the financial soundness of Indian Banks. They assessed that financial performance of banks is considered as backbone of every economy. Failure of giant banks may traumatize not only the domestic economy but can also put the globe at stake. Collapse of Lehman brothers is iconic evidence to this contagious effect. In this context, it is very crucial to analyse the financial soundness of domestic banks. At present there are various methods which may be helpful to analyse financial position of banks like capital adequacy ratio, profitability, liquidity or hybrid model like CAMEL rating. An important model to analyse financial soundness / distress of any corporate house is Altman Z score model but is not that much explored. It was disclosed that two banks found somehow in distress position However, capital adequacy ratio of both of these banks was sound in comparison to the competitive banks. The study suggests the use of hybrid model to make any conclusive remark to the soundness of any company.

RESEARCH METHODOLOGY

The financial position of the selected companies were studied based on the secondary data collected from financial reports submitted by various banks for a period of five years from 2012-13 to 2016-17. The concept of Altman Z-score was exercised to understand the performance of the selected companies in private banking industry which is the key driver of Indian economy. The parameter used to identify the sample for the study is market capitalisation of different private banks as per NIFTY Index. Based on the above criteria, the banks chosen from private bank industry are Axis bank, HDFC bank, ICICI bank, Indusind bank, Kotak Mahindra bank.

The objective of the present study is to evaluate the financial health of the selected private sector banks through Altman's Z score analysis.

METHODOLOGY

Altman's Z-score model

Z- score analysis is a multi-discriminate analysis and was introduced by Edward Altman in 1968 to evaluate the general trend in the financial health of an enterprise over a period of time. This model uses five financial ratios joined in a designated way to produce a single number called "Z score" which is treated as a measure of financial performance. The Z score is calculated by multiplying five accounting ratios, which are found to be adequate in predicting bankruptcy of an organisation. The following equation is used to determine Z score.

$$Z' = 0.717X_1 + 0.847X_2 + 3.107X_3 + 0.420X_4 + 0.998X_5$$

where Z= Score of a firm

Ratio of Working capital to total assets

The ratio measures the relationship between working capital and total assets. Difference between current assets and current liabilities is known to be working capital that helps to indicate the liquidity position of the bank.

X1 = (Working capital/Total assets)*100

Ratio of Retained earnings to total assets

The ratio indicates the degree of capitalization made through retained earnings in relation to total assets. Retained earnings include all free reserves and specific reserves and balance as per profit and loss account. The retained earnings to total assets (RE/TA) ratio measure the firm's ability to accumulate earnings using its assets. A higher ratio signifies that the financial health of company is good.

X2 = (Retained earnings/Total assets)*100

Ratio of Earnings before interest and taxes to total assets

It is a measure of productivity of assets employed in an enterprise and is based on the profitability.

X3 = (Earnings before interest and taxes/Total assets)*1

Ratio of equity to debt

This measure shows how much assets of the enterprise can decline before the liabilities exceed the assets and the concern becomes insolvent.

X4 = (Equity/Total debt)*100

Ratio of Sales to Total assets

The ratio of sales to total assets indicated the amount of sales generated. The ratio indicates the efficiency of the firm using its assets more productively.

X5 = (Sales/Total assets)*100

Measurement the financial health

Altman had established the guidelines for classification of firms as either financially good, bad or weak (Table 1).

Table 1- Guidelines for the measurement of financial health.

Z Score	Zone	Interpretation
Above 3.00	"Safe" Zone	Indicates that there is low probability of bankruptcy and the company is having sound position
Between 1.8-2.99	"Grey" Zone	Grey Zone indicates that these firms need to be dealt with caution.
Below 1.81	"Distress" Zone	Indicates that there are high chances of being insolvent & bankrupt in future times.

FINDING AND RESULTS

Ratio of working capital and total assets.

Table 2 -Ratio of working capital to total assets of select companies in Private bank for the period 2012-2013 to 2016-17.

YEARS / BANKS	2013	2014	2015	2016	2017
AXIS BANK	0.647853	0.68438	0.687330	0.754037	0.769564
HDFC BANK	0.642573	0.675571	0.666943	0.0699474	0.681968
ICICI BANK	0.651171	0.6754697	0.6886350	0.755107	0.770439
INDUSIND BANK	0.7531528	0.7321772	0.713365	0.696817	0.731220
KOTAK MAHINDRA BANK	0.099407	0.102838	0.096069	0.089247	0.085859

Ratio of retained earnings to total assets

Table 3 - Ratio of Retained Earnings to total assets of select companies in Private Bank for the period 2012-2013 to 2016-17.

YEARS / BANKS	2013	2014	2015	2016	2017
AXIS BANK	0.09584	0.09850	0.09569	0.10026	0.09191
HDFC BANK	0.08927	0.08746	0.10416	0.10181	0.10297
ICICI BANK	0.12210	0.12116	0.12267	0.12288	0.12798
INDUSIND BANK	0.09390	0.09317	0.08898	0.11928	0.11003
KOTAK MAHINDRA BANK	0.010841	0.13575	0.12974	0.11984	0.012440

Ratio of EBIT to total assets

Table 4 - Ratio of EBIT to total assets of select companies in Private bank for the period 2012-2013 to 2016-17.

YEARS / BANK	2013	2014	2015	2016	2017
AXIS BANK	0.028219	0.0310079	0.0299533	0.031551	0.030572
HDFC BANK	0.031268	0.031893	0.031189	0.031785	0.031881
ICICI BANK	0.026155	0.0296391	0.0320957	0.034788	0.035911
INDUSIND BANK	0.029395	0.0307916	0.025833	0.031173	0.032126
KOTAK MAHINDRA BANK	0.029632	0.0305887	0.0299533	0.022013	0.029032

Ratio of equity to total debt

Table 5 Ratio of equity to total debt of select companies in Private Bank for the period 2012-2013 to 2016-17.

YEARS / BANK	2013	2014	2015	2016	2017
AXIS BANK	0.001419	0.0012717	0.0010609	0.000933	0.000832
HDFC BANK	0.001302	0.001065	0.000898	0.000752	0.000634
ICICI BANK	0.002295	0.0020683	0.0018874	0.001695	0.001579
INDUSIND BANK	0.0051566	0.0063655	0.007493	0.004478	0.003525
KOTAK MAHINDRA BANK	0.0038177	0.0045716	0.0010609	0.004996	0.004465

Ratio of sales to total assets

Table 6- Ratios of sales to total assets of s2016-17.elect companies in Private Banks for the period 2012-2013 to 2016-17.

YEARS / BANK	2013	2014	2015	2016	2017
AXIS BANK	0.082453	0.082935	0.079392	0.080312	0.077441
HDFC BANK	0.114695	0.108949	0.102982	0.105595	0.101101
ICICI BANK	0.079410	0.078905	0.0798998	0.076883	0.073427
INDUSIND BANK	0.098070	0.097898	0.091956	0.087169	0.084903
KOTAK MAHINDRA BANK	0.099407	0.102838	0.096069	0.089247	0.085859

Z score Value of Top 5 NSE selected Private Banks

Table 7and 7B shows the “Z” score and the status of top 5 NSE Private banks for the 5 year period ending 2016-17.

Table 7A- Z score of Top 5 NSE selected Private Banks for the period 2012-13 to 2016-2017.

YEARS \ BANKS	AXIS BANK	HDFC BANK	ICICI BANK	INDUSIND BANK	KOTAK MAHINDRA BANK
2012-2013	2.5404	2.413	2.5387	2.600367	2.4463
2013-2014	0.4084	0.411	0.5224	0.42804	0.3460
2014-2015	0.4700	0.490	0.4927	0.463917	1.0250
2015-2016	0.0023	0.001	0.0040	0.011349	0.0079
2016-2017	0.4017	0.532	0.3877	1.338396	0.4724
Mean	**3.823**	**3.850**	**3.9656**	**4.8420**	**4.5234**

It is understood from Table 7 that the Z score value of Axis Bank declined to 0.002317 in 2015-16 from 2.54 in 2012-13. But it declined gradually and stood at 0.40 in 2016-17.The average Z score value of Axis Bank was found to be at 3.82 during the study period leaving the company in safer zone. From 2.41 in 2012.13 the Z score value of HDFC Bank declined to 0.49 in 2014-15.The average Z score value of HDFC Bank was found to be at 3.85 during the period of study and the company's financial health was considered good. Z score value of ICICI Bank during 2012- 2013 stood at 2.53 and 0.52 in 2013-14.The average Z score value of ICICI Bank was at 3.96 during the study period indicating that the company is in the safer zone of financial health. Z score value of Indusind bank in 2016-2017 stood at 1.33 and it improved by 0.011 in 2015-16.The average Z score value of Indusind bank was found to be at 4.84 during the period of study and showed the company is in the Safer zone. Z score value of Kotak Mahindra bank during 2012-2013 stood at 2.44 and it declined to 0.34 in 2013-14 and then improved to 1.025 in 2014-2015.The average Z score value of Kotak Mahindra bank was found to be at 4.52 during the study period. All top 5 NSE private banks are in the safer financial health throughout five year period.

Table 7 B Status of Top 5 NSE selected Private Banks based on Z score

Z-Score	Zone	Companies
Above 3.00	“Safe” Zone	AXIS BANK , HDFC BANK, ICICI BANK, INDUSIND BANK, KOTAK MAHINDRA BANK
Between 1.8-2.99	“Grey” Zone	---
Below 1.8	“Distress” Zone	---

CONCLUSION

Altman Z score is a tool of prediction so it does not give accurate results but there are chances of likelihood of being insolvent or bankruptcy in near future. In respect of company's financial report, it may look likely that bankruptcy looms, but the firm can control and work upon improving the financial performance in succeeding years. However, in respect of investor, it's advised to keep an eye on this number and have information about the company's solvency & financial position. The Z Score does not assure that company will file for legal bankruptcy in future time. It is instead a measure of how closely a firm resembles other firms that have filed for bankruptcy. As per calculation done Altman Z score predicts that all the banks are in safe zone and are having Z score above 3 which means that selected banks are having sound position.

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Micro Finance in India- A Tool for Rural Development

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ABSTRACT

India is a developing country. Indian population comprises approximately one sixth of the world's population. In India more than 70% of the population lives in villages and most of these villages are underdeveloped.

The "rural sector" means any place as per the "latest census" which meets the following criteria,

- A population of less than 5,000
- Density of population less than 400 per sq km and

More than "25 per cent of the male working population" is engaged in agricultural pursuits. Microfinance is generally defined as financial services for poor and low-income people. Microfinance is a tool for financial inclusion. After the year and after so many practices and plans rural peoples are still away and unaware about the financial services and products. They are not able to avail these financial services. In India lots of problems are faced by rural people like lack of money, illness, illiteracy, etc. Microfinance helps the entrepreneurs, small business persons and rural people to generate income, build assets, smooth consumption, and manage risks. The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them credit worthy. It is observed that providing credit to the poor helps in income generation from business and reduce shocks such as illness of a wage earner, weather, theft, or other such events. It also provides attendant benefits on food security child's education etc. The paper focuses on micro finance and its role in promoting the rural poor.

Keywords: **Microfinance; Rural development; Economy; Financial inclusion etc.**

1. INTRODUCTION

With a huge segment of the world's underprivileged, India is likely to have a large possible demand for microfinance. For this reason, it makes sense to consider the changing face of microfinance for rural development in India. Microfinance refers offering exceptionally small loans to very poor families with the purpose of engaging them into productive activities. Micro finance bank is an institution that extends small loan or micro finance, to applicant who typically belongs to the lowest group of society. Loans are extended to borrower to allow them to initiate a business, repair their homes and improve the general living condition of their families and the community. Microfinance is considered as a tool for socio-economic development, and can be clearly differentiated from donations. When it comes to rural development, with the growth of the credit infrastructure, credit flow to the poor and especially to poor women, remained near to the ground. As a result National Bank for Agriculture and Rural Development (NABARD) was set up with the objective of framing appropriate policy for rural credit, provision of technical assistance backed liquidity support to banks, supervision of rural credit institutions and other development initiatives. After a time it was experienced that the existing banking policies, systems and procedures, and deposit & loan products were possibly not well matched to meet the instant needs of the poor.

It was experienced that the poor desired improved access to these services and products, more willingly than cheap financed credit. If a person observes an institution to be unfriendly or uncaring to them, they hesitate to move toward it. Thus a requirement has been experienced for alternative policies, systems and procedures, savings and loan products, other matching services, and new delivery mechanisms, which would fulfill the requirements of the poorest, especially of the women members of such families. This has given beginning to an increasing emphasis on Microfinance for improving the access to credit for the poor. A large number of NGOs have started their own micro finance programs in an attempt to develop the people in their respective areas. Micro credit has become a major tool of development. The most current succession in this area is savings and credit groups or Self Help Groups (SHGs) as they are known in India, as well as a variety of specialized Micro Finance Institutions (MFIs). To assist and encourage the activities of these groups, significant institutional structures have emerged. A major portion of such support in India has come from non-profit NGOs. These organizations originally initiated the concept of Micro Finance and continue to work towards the delivery of Micro Finance projects in India especially for rural development.

2. EXISTENCE OF MICRO FINANCE IN INDIA

The term microfinance came into existence in 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus, were starting and shaping the modern industry of micro financing. Even Microfinance in India can map out its origins back to the early 1970s when the Self Employed Women's Association ("SEWA") of the state of Gujarat formed an urban cooperative bank, called the Shri Mahila SEWA Sahakari Bank, with the objective of providing banking services to poor women employed in the unorganized sector in Ahmadabad City, Gujarat. The microfinance sector went on to evolve in the 1980s around the concept of SHGs, informal bodies that would provide their clients with much-needed savings and credit services. Due to large size and population of around 1000 million, India's GDP ranks among the top 20 economies of the world. However, around 400 million people or about 60 million households, are living under the poverty line. It is further predictable that of these households, only about 20 percent have access to credit from the formal sector. As well, the segment of the rural population has no good access to the recognized financial intermediary services, including savings services. Credit on rational terms to the poor can bring about a significant fall in poverty. Hence micro credit assumes significance in the Indian context. With about 60 million households below or just above the strictly defined poverty line and with more than 80 percent unable to access credit at reasonable rates, it is obvious that there are certain issues and problems, which have banned the reach of micro finance to the needy. With globalization and liberalization of the economy, opportunities for the unskilled and the illiterate people are not increasing fast enough, as compared to the rest of the economy. In this context, the institutions involved in micro finance have a significant role in reducing inequality and contribution in rural development for overall growth.

3. MICROFINANACE AND POVERTY REDUCTION FOR RURAL DEVELOPMENT IN INDIA

India consists over a quarter of its population below to poverty line. The World Bank reports that India is a home around some 260 to 290 million poor, numbers that rise to around 390 million if poverty is measured by the international standard of those living on less than 1US$ dollar a day. Almost half of India's poor, more or less 133 million, are found in three states: Uttar Pradesh, Bihar, and Madhya Pradesh. Rural area in India is the home of three quarters of India's poor which is supported by the increasing urban and rural disparities. The Indian government's poverty reduction strategy focuses on infrastructure, social development (especially education and health), and rural livelihoods. The improvement of rural livelihoods is the aspect of poverty reduction that Microfinance Institutions concentrate on. Most poor people manage resources to develop their enterprises and their home over a time. Financial services could enable the poor to force their initiative, accelerating the process of assembling incomes, assets and economic safety. Traditional finance institutions rarely lend money to serve the needs of low-income families and women-headed households. However, the income of many self employed households is not stable, regardless of its size. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for guarantee which many low-income households do not have in hand. Over the last ten years, however, successful experiences in providing finance to small entrepreneur and producers demonstrate that poor people, when given access to responsive and timely financial services at market rates, pay back their loans and use the profits to increase their income and assets. This is not shocking since the only realistic alternative for them is to borrow the money from informal market. Community banks, NGO's and credit groups around the world have shown that these micro enterprise loans can be profitable for borrowers and for the lenders, making microfinance one of the most effective poverty reducing.

4. MICROFINANCE AND SELF HELP GROUPS (SGHs) FOR RURAL DEVELPOMENT

There are two common approaches of Micro Finance India - The Self help groups method and the Garmin system. An SHG is an unofficial group of approximately 10-20 members. The members of the SHG are joined for the specific purpose of facilitating saving and credit services for its members. This is made possible through members pooling their resources to create a common fund. The process and social involvement of SHGs are intended to be instruments of empowerment, building the capacity of members to eventually conduct and manage SHGs for themselves, and enabling them to have greater autonomy in financial decision making as well as wider social participation. SHG meetings are set to take place at regular intervals and at a designated time. Group members are drawn from the same social economic layer and work on the basis of equal participation and contribution from all members. The groups are chaired by one lead member at a time; this role is usually rotated to allow capacity building for all members. Meetings are structured and accurate and up to date records of all financial transactions, group decisions and actions are compiled. Once established, SHGs are encouraged to make links with other SHGs and eventually with financial institutions to allow access to further financial assistance.

5. MICROFINANCE AND WOMEN EMPOWERMENT FOR RURAL DEVELOPMENT

Women are essential part of the society. The role of women in economic activities and decision making is very low. Micro financial schemes plays vital role in increasing women's participation in economic activities and decision making. There has been huge growth of organizations, known as Microfinance Institutions (MFIs) in this field to deal with the micro financial activities. With increasing demand for rural finance, and the shortages of formal sources, the MFIs have tremendous challenges and opportunities in microfinance in India. In India self help groups (SHGs) constitutes of 85-95 % women. The reasons for this is that women are familiar with finances responsibility; making them trustworthy, reliable and prompt savers. Empowerment of women also occupies central place to wide development goals. Women empowerment is critical factor in the eradication of poverty, as the women are the key contributors to the economic and to fighting with poverty through both remunerative and unremunerative work at home, in the community and in the workplace. SHGs have been recognized as one efficient means of empowering women.

6. CRITICAL ISSUES FOR MICRO FINANCE INSTITUTIONS

This is not a point of consideration that Micro financial services have capability to offer better services than conventional banking services and carry out the needs of the underprivileged people. The significant factor is that external Micro financial services should join hand to the running system of lending and/or borrowing money in rural areas instead of throwing them out. In this way the poor people especially women who require the fund to run their business and family activities in a well-organized manner will get benefitted more. Some critical issues for microfinance organizations are as follows:

6. 1. Sustainability The primary issue is related to sustainability. It has been reported in much news that the Micro financial institutions are comparatively costlier in terms of delivery of financial services. This is partially explained by the fact that the cost of supervision of credit is high, while the loan quantity and loan volume is low. Therefore it is necessary for MFIs to develop strategies for increasing the range and volume of their financial services.

6. 2. Lack of Capital The next part of concern for MFIs, which is on the expansion path, is that they face a scarcity of owned funds. This is a critical constraint in their being able to scale up. Many of the MFIs are socially oriented institutions and do not have adequate access to financial capital. As a result they have high debt equity ratios.

6. 3. Borrowings In comparison with earlier years, MFIs is now finding it relatively easier to raise loan funds from banks. This change came after the year 2000, when RBI allowed banks to lend to MFIs and treat such lending as part of their priority sector funding obligations. Private sector banks have designed innovative products such as the Bank Partnership Model to fund MFIs and have started viewing the sector as a good business proposition. But banks need to be most careful when they feel most confident about MFIs. Bank should find the right technologies to assess the risk of funding MFIs.

6. 4. Capacity of MFIs It is now accepted that MFIs has both social and commercial dimensions. Since the sustainability of MFIs and their clients complement each other, it follows that building up the capacities of the MFIs and their primary stakeholders. These are preconditions for the successful delivery of flexible, client responsive and innovative microfinance services to the poor.

7. CONCLUSION

The MFI is leaving enormous economic and social impact. Microfinance provide both savings and loan facilities An MFI is likely to provide the much needed funds to the potential entrepreneurs of the rural India. Also it is anticipated that the people would become socially more advanced as they come into touch with the outside world. In order to be sustainable, microfinance lending should be fixed on market principles because large scale lending cannot be completed through financial support. A core conclusion of this paper is that microfinance can contribute into solving the problem of insufficient housing and rural services as an integral part of poverty alleviation programs and empower women to play a vital role in the society. Eventually it would be ideal to improve the creditworthiness of the poor and to make them more bankable to financial institutions and allow them to meet the criteria for long-term credit from the formal sector. Microfinance institutions have a lot to contribute to this by building financial discipline and educating borrowers about compensation requirements.

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Consumer's Perception on Impact of GST on Automobile Sector with Special Reference to Cars

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A B S T R A C T

The Automobile industry in India is one of the most successful manufacturing spaces from past liberalization. The Government of India planned to implement GST in India from 1 July 2017. The objective of this research is to study the **Consumer's Perception on Impact of GST on Automobile sector** in India. GST is also known as Goods and Services Tax. The paper highlights a brief analysis of GST which would bring a substantial change in the purview of indirect tax in India. The main purpose of GST is to bring about the single tax system for the manufacture and the sale of goods at the both central and the state level in the country. The study is based on both primary and secondary data collection with the help of structured questionnaire being filled by 200 consumers using any kind of automobile. Descriptive statistics and factor analysis has been used to analyses the awareness, perception and the satisfaction level. The data has been collected on the basis of recently implemented GST. The small and mid size cars have been moderately affected and hybrid cars have had almost negligible affect due to implementation of GST. The results suggested that GST has been overall positive for the automotive sector primarily because of the efficiency and the removal of cascading.

Keywords: GST, Automobile Sector, Small Cars, Luxury Cars, Hybrid Cars.

I. INTRODUCTION

The Automobile industry in India is one of the most successful manufacturing spaces from past liberalization. The Government of India has planned to implement GST to the manufacturing sector in India. The objective of this research is to study the perception of consumers on the impact of GST on Automobile sector in India. This project deals with as to what will be the benefits and limitations of GST on business and industry, government, and the consumer. It will help us to know that how will GST benefit or not the automobile sector and what will be the ambiguities in implementing it.

Research design used for this study is descriptive methodology and data used is both primary and secondary data. Though it is too early to provide an in-depth analysis of cost per product post GST implementation, as some ambiguity still remains due to incentives/exemptions provided by different states to the manufacturers/dealers for manufacturing automobiles.

Experts suggest that GST will be positive for the automotive sector primarily because of the efficiency and the removal of cascading that is expected with GST.

	Existing Taxes Levied		Proposed GST		
			Base	Cess	Net
Small Cars	Petrol	26% - 34%	28%	1%	29%
	Diesel	27.5% - 35.5%	28%	3%	31%
Mid-size Cars		40.5% - 48.5%	28%	15%	43%
Luxury Cars		44.5% - 51.5%	28%	15%	43%
SUVs		47.5% - 54.5%	28%	15%	43%

II. LITERATURE REVIEW

[1] **Cnossen and Sijbren (2013)**: They suggested a modern goods and services to alleviate the problems of India's current indirect tax system. He said that the GST will lead to higher tax compliance and lower tax evasion by Indians

[2]**Monika Sehrawat and Dhanda (2015)** have studied about the various features and the challenges associated with Goods and Service Tax well known as GST. They have found out that the legal procedures in implementing, consent from all the states, proper literacy on the concept of GST are the challenges associated with the implementation of GST.

[3]**Akanksha Kurana and Sharma (2016)** have made a research work about the impact of GST on Indian economy. They have found out that the GST will improve the input tax credit to the manufacturers which would result in reduced cost of goods.

[4]**Lavanya et al (2017):** The implementation of GST, taxes moves from the origin state to the consumption state due to which overall economic activity is expected to increase and it could expect a better GDP growth that should push demand for vehicle across categories. Impact of tax cascading will also go away that will reduce overall cost of vehicle manufacturing as all taxes on input paid will be offset with the output liability of GST.

RESEARCH METHODOLOGY

The purpose of this paper is to study the impact of gst on the automobile sector with special reference to cars. The objective is to investigate the changes in the price of cars in different sectors. The type of research design followed is exploratory cum descriptive in nature. The primary data has been collected through a highly structured questionnaire. The questionnaire consisted of multiple choice questions as well as ranking questions. The total no of people surveyed were 200 and their preferences has been collected and analyzed. Secondary data has also been taken from various sources on internet. We have used systematic and convenience sampling methods for analyzing impact of gst on the automobile sector.

The data source is based on primary and secondary data. Basically the secondary data has been collected from the concerned departmental records, magazines, journals and news papers. The primary data information has been gathered from the questionnaire. The age group that we have considered is ranging between 18-25, 26-36, 37-50, 50 and above. The methodology is based on observation method only.

DATA ANALYSIS AND INTERPRETATION

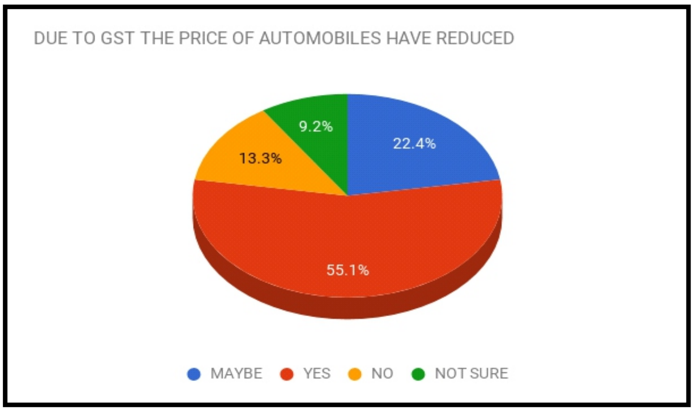

Figure1- The price of automobiles have mostly reduced due to gst or remained same as it was before gst. The prices have not increased.

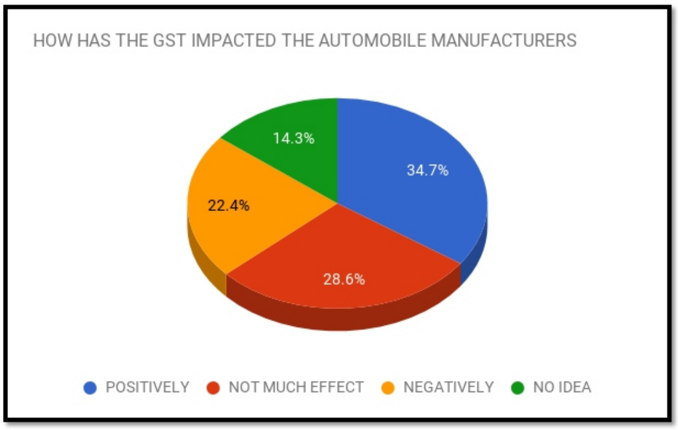

Figure 2- Gst has neither affected the automobile manufactures nor the car sector in automobile industry much. Even if it has, the impact has been positive.

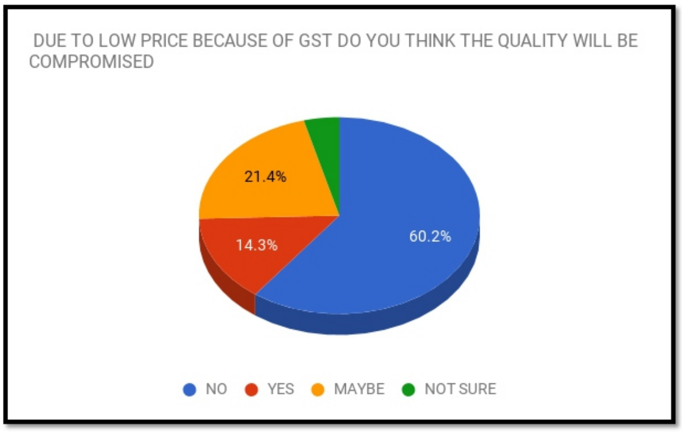

Figure 3-Most of the consumers feel that due to implementation of GST the quality of cars have not been compromised. Yet, 14.30% feel that it has been compromised.

Sr. No.	**What is the impact of GST on different car segments?**	Largely Affected	Moderately Affected	Not Affected
a)	How has GST affected small car segment	8.20%	80.60%	11.20%
b)	How has GST affected mid-size car segment	6.30%	84.30%	9.40%
c)	How has GST affected luxury car segment	69.80%	19.80%	10.40%
d)	How has GST affected hybrid car segment	16.50%	24.70%	58.80%

FINDINGS AND CONCLUSION

The implementation of GST, taxes moves from the origin state to the consumption state due to which overall economic activity is expected to increase and it could expect a better GDP growth that should push demand for vehicle across categories. GST has been positive for the automotive sector primarily because of the efficiency and the removal of cascading that is expected with GST. More that 50% of people i.e. around 55.1% feel that prices of automobiles have reduced after the implementation of GST.

Around 49% of people feel GST has affected the inputs for large cars segment that have length more than 4m and engine capacity more than 1500cc. Other than this 39.8% of people feel there is no revision in prices of goods and services required due to implementation of GST. Introduction of GST has impacted positively on the automobile sector as 34.7% of people feel that GST has had a positive impact on the manufactures as more that 50% ie 60.2% people have agreed that the quality of vehicles have not been compromised due to low price because of GST. However, there are quite a few concerns in the draft Model GST law as 55.7% of population prefer that there should be one single GST enactment for both centre and states rather than multiple GST laws. Restrictions and conditions on eligibility to tax credits on assets used for business is also a major area of concern, and the credit mechanism should be more liberal.

80.6% and 84.4% of people feel that GST has moderately affected the small size car segment and mid size car segment respectively. While GST has largely affected the luxury car segment the most in the automobile sector about 69.8%, even the rate on hybrid cars have not been much affected i.e. 58.8% people feel that the GST has not had much impact on the hybrid car segment.

The automobile industry can be expected to pass on overall likely gain to customers on account of severe competition and the statutory requirement but it would vary from model to model and considering all the complexities it may be difficult to predict at this stage what per cent age of reduction will take place in prices to customers.

SUGGESTIONS AND RECOMMENDATION

If the Government's goal is to build the offer of assembling in the GDP of the economy from an expected 15 for each penny to no less than 25 for each penny with the goal that business gets a positive lift, the part of vehicle industry can't be disregarded and the business has officially made speculations to accomplish this target and have expanded the ability to levels that would be expected to accomplish the goal. The industry requires the Government to help by giving it an environment that encourages development. While the car business is centred on creating volumes in the distinctive sections to gather development, it is in light of a legitimate concern for the Government to proceed with the lower extract rates as this will help build volumes and accumulate extra duty income. High duty rates and ensuing high costs of vehicles have a hurtful impact of bringing down volumes, bringing down gross expense accumulations and eventually bringing down development in the auto part. The Government ought to encourage a helpful domain for development of car industry by characterizing positive long haul arrangement for speculation. Because of the troublesome approach condition in the nation where assess rates on vehicles are getting changed each year and Government is arranging FTAs where custom obligations are probably going to descend, numerous global organizations that hadplans to enter the market have slowed down the arrangement and are presently considering other developing markets, for example, China and Brazil.

The State Goods and Services Tax Act, State GST Act should be a common Act operated/implemented by all the states and Union Territories (similar to present Central Sales Tax Act) covering transactions related to goods, services and exports. Concept of Tax Invoice should be continued for availing State GST credit. Under a dual GST structure (a Central GST and a State GST), there could be a situation where the Input Tax credits which remain assizes would be refunded to the assizes. Procedural changes should be notified in advance. The industry should be given 6 months lead time before the introduction of GST. State specific incentives should be protected under GST.

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Impact of Good and Service Tax (GST) on Indian Economy

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ABSTRACT

India is a progressing rapidly. After demonetization the GST bill one of the biggest tax reforms in India. To expedite the introduction of GST, the Lok Sabha passed the 122nd Constitutional Amendment –Goods and Service Tax Bill on 6 May 2015.The same bill passed by Rajya Sabha with 9 amendments on 3 August 2016.On 8 August 2016,Lok Sabha passed the modified bill, approving all the 9 amendments by Rajya Sabha. So in coming years it is supposed that GST bill boost up the Indian Economy. As per the GST bill, all the complex and Multiple Indirect tax were replaced by one ultimate tax known as GST (Goods and Service Tax).After passing of this bill, many newspaper their views on how GST bill will bring a new wave of economic reforms in the country. An attempt is made in this research article to understand the concept of GST and its influence or impact on Indian Economy.

Keywords: Goods and Service Tax, Indian Economy.

INTRODUCTION

The term "Tax derived from the word "Taxare" meaning to estimate. "A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply or other name (Black Law Dictionary).For every citizen of a country tax is a mandatory liability. In India taxation is rooted or established from the period of Manu Smriti and Arthasastra. In Current Scenario Indian Tax System is based on this system which would be based on the theory of Maximum Social Welfare.

"It was only for the goods of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold"

-By Kalidas in Raghuvansh eulogizing KING DALIP

Mainly, there are two type of taxes Direct Tax and Indirect Tax.

Direct Tax: It is paid directly by the assessee to the government. Some of the examples are Income Tax, Wealth Tax and Corporate Tax etc.

Indirect Tax: It is the tax levied on goods and services rather than on persons and organizations. Few examples are Custom duty, Sale Tax and Excise Duty etc.

The GST is value added tax levied on most goods and services sold for domestic consumption. It was first determined by a German economist in the 18th century."It is paid by consumer but it is remitted to the govt. business selling the goods and services". We can also say that GST provides revenue for the government. In 1954 it was firstly adopted by France Joint Director of French Tax Authority(Maurice Laure), the Direction general des impots was the first who introduce VAT on April 10,1954.Few of the countries with GST Canada, Vietnam, Australia, Singapore, UK, Monaco, Spain, Italy, Nigeria, Brazil etc. On 1 July 2017, India is set to join GST group.

Review of Literature

Sehrawat and Dhanda (2015), focused on advantages of GST and challenges faced by India. They concluded that simplifier user friendly and transparent tax system is required which can be fulfilled by implementing of GST. It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market.

Dani (2016), studied a impact of GST on Indian Economy. Researcher concluded that proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST.

Lourdunathan and Xavier (2017), studied the challenges and prospects of implementing GST. They concluded that GST will bring One Nation and One Tax Market that will provide relief to the producer and consumer from several taxes.

Objective of the study

1. To understand the concept of Goods and Services tax (GST)
2. To know the impact and advantages of GST on Indian Economy

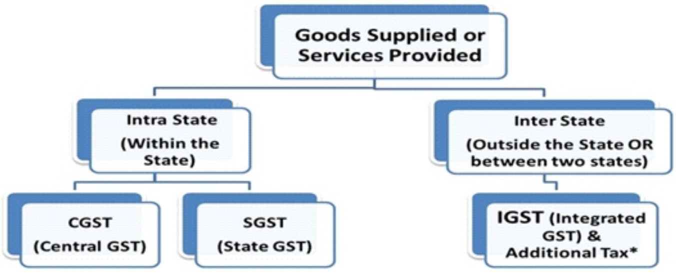
Research Methodology

The study was explanatory in nature and based on secondary data which was collected from various books, research paper and websites etc.

Types of GST in India

To boost the overall economic sectors government is taking a major significant initiatives or steps. There are 3 types of GST i.e.

1. CGST (Central Goods and service tax)
2. SGST (State goods and service tax)
3. IGST (Integrated goods and service tax)



1. Central GST(CGST): As per the Central goods and service tax(2016),CGST introduce, present central taxation and levies i.e. central excise duty, Central State Tax, Service Tax, Additional Excise Duty, Excise Duty, levied under medical and toiletries preparation act, Additional excise duties countervailing duty(CVD),Additional custom duty and other centralized taxations. It is applied on supply of goods and services of standard services and commodities which can be amended time to time by different or separate body.

2. State GST (SGST): It is a part of GST. It comes under the 2016 GST bill. It includes the amalgamation of state sales tax, luxury, Entry tax etc. and other related to movement of commodities and services under state authority through one uniform taxation-SGST. Every state has individual state authority to collect SGST.

3. Integrated GST (IGST): GST focus on the concept of One Tax, One Nation. This tax is charged on the supply of commodities and services from one state to another state. Like Example: If supply of goods and services occurs between Gujarat and Maharashtra, IGST will be applicable.

Advantages of GST

1. GST benefit to government, Industry and citizen of India
2. It reduces the cost of production
3. Simple and lesser number of Compliance
4. Provide greater certainty and transparency of taxes
5. Lowered the tax burden on Industry and trade
6. Eliminates cascading effect of taxes

Benefit to Economy

- Increases in manufacturing process
- Enhancement of export and investment
- Generation of more jobs through enhanced economic activity

Relevance of GST

- Industry required GST to eliminate the cascading effect of taxes
- Government and Industry both are keen to implement GST
- State is looking at GST as window for taxing services
- Centre is looking at GST o go beyond the point of manufacture
- Harmonization of taxes

Conclusion

In our country GST is one of the fiscal reform that is going to witness.GST will boost the economy because it will make the things simple and large number of efficiency in business. It is a better system to administer or self policy system.GST needs to avoid cascading of taxes and ensure simplified compliances. If we see the effect of GST on export and import manufacturing will get more competitive as GST addresses the cascading tax, Interstate tax and high logistic tax. It also improves the ranking of ease of doing business and estimated to increase the GDP growth.

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