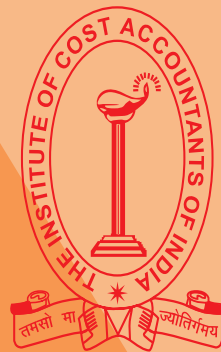


# **CMA's'** **INDUSTRY BULLETIN**

**MAY 2019**



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

**Statutory Body under an Act of Parliament**

### MISSION STATEMENT

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

### VISION STATEMENT

“The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.”

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## MEMBERS IN INDUSTRY COMMITTEE 2018 - 2019



## PRESIDENT'S MESSAGE

**CMA Amit A. Apte**

President

The Institute of Cost Accountants of India

I would like to acknowledge the efforts of Members in Industry Committee and valuable inputs from our resource persons in bringing out this May 2019 edition of 'CMAs Industry Bulletin'.

The purpose of this Bulletin is to enrich the readers about the different segments of our economy providing the current updates and through value added articles from industry experts. This edition includes article from Industry experts on 'Big Data Analytics in Accounting & Auditing' and 'Public Sector Accounting – the Ecosystem & Deliberation through Review of Literature'. Further, the readers will get latest developments taking place in Iron & Steel, Tourism & Hospitality, Education & Training and Banking Industry.

My best wishes to Members in Industry Committee for its future initiatives for development of the CMA profession.

With Warm Regards,

A handwritten signature in blue ink, appearing to read 'A. Apte', with a horizontal line underneath.

**CMA Amit A. Apte**



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# BIG DATA ANALYTICS IN ACCOUNTING AND AUDITING

CA Amit Kumar

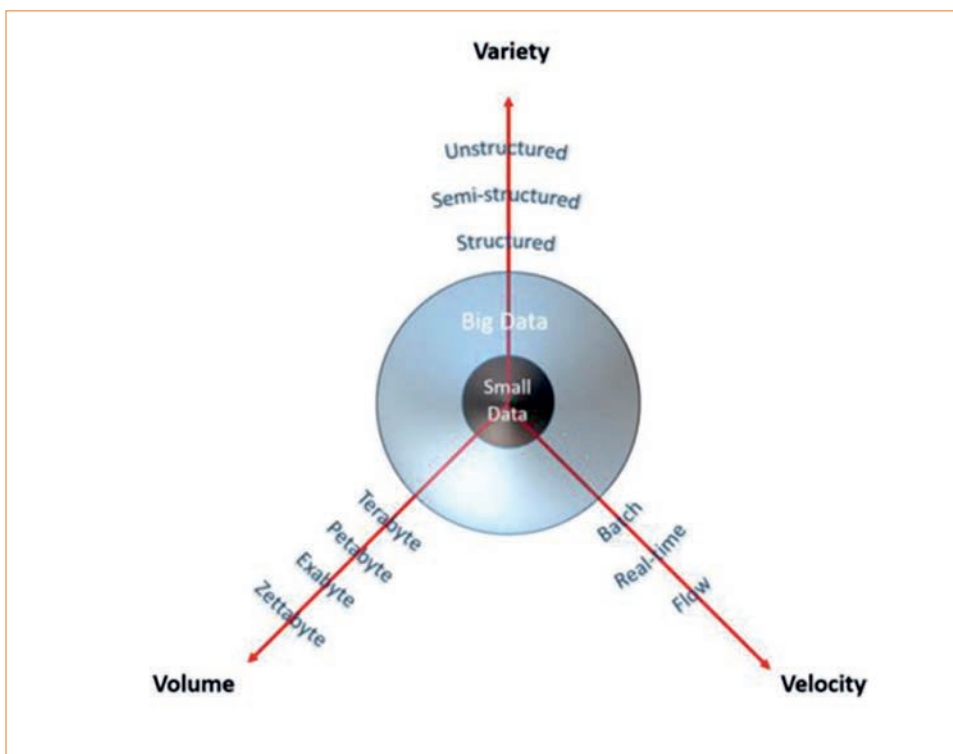
Practicing Chartered Accountant  
Hyderabad

**B**ig data technologies describe a new generation of technologies and architectures designed to economically extract value from very large volumes (into petabyte volumes) of a wide variety of data, by enabling high-velocity capture (streaming data), discovery, and/or analysis. Big Data analytics is the process of inspecting, cleaning, transforming, and modelling Big Data to discover and communicate useful information and patterns, suggest conclusions, and support decision making. Big Data has been used for advanced analytics in many domains but hardly, if at all, by auditors. This article hypothesizes that Big Data analytics can improve the efficiency and effectiveness of financial statement audits.

Four other characteristics that are relevant to Big Data are:

- (1) *value (the usefulness of data in making decisions);*
- (2) *variability (data flows can be highly inconsistent with periodic peaks);*
- (3) *complexity (the degree of interconnectedness and interdependence in Big Data structures spread over data warehouse systems); and*
- (4) *veracity (data reliability)*

The distinctive characteristics of Big Data (e.g. the 3Vs and more) presents many technical and social challenges for business analytics (BA), which are often referred to as the techniques, technologies, systems, practices, methodologies and applications that analyse critical business data to help an enterprise better understand its business operations and make timely business decision.



### ***Business analytics and Big Data***

According to Boyd and Crawford (2012), Big Data analytics is a cultural, technological and scholarly phenomenon that rests on the interplay of technology, analysis and mythology; the widespread belief that large data sets offer a higher form of intelligence and knowledge that can generate insights that were previously impossible, with the belief of truth, objectivity and accuracy. To turn the mythology into a reality, a significant value for business and operations return of investment through Big Data analytics, with an effective deployment of both the technology and analysis should be attained. Otherwise, organisations risk owning huge data chunks without properly utilising those data as Big Data.

Big Data has the potential to generate business value. Big Data analytics can generate value in the form of better targeted influencer marketing, more varied and accurate business insights, recognition of business opportunities, automated decisions for real-time processes, definitions of customer (user) behaviours, customer retention, detection of fraud, quantification of risks, trending for market sentiments, understanding of business (behaviour) changes, better planning and forecasting, resource optimisation, identification of root causes of cost and understanding consumer (user) behaviours.

#### ***Technical Issues associated with Big Data Analytics:***

While implementing Big Data analytics, those technical issues can be potential barriers:

- data presentation;
- data redundancies;
- data lifecycle management;
- data security and confidentiality;
- energy management;
- interdisciplinary cooperation;
- inexpert staff;
- investment and maintenance costs;
- lack of business leadership;
- hardships in designing analytic systems; and
- lack of current database software in analytics

#### **Conclusion:**

Big data is the new generation of technology designed for organizations to economically extract value from

large volumes of a wide variety of data through high velocity capture, discovery, storage and analysis. Manifest as the frontier of 21 century technology, big data instigate superior business return. This lure businesses to zealously capitalize big data. In correspond, professionals too are charting their way to improve customer value with big data. Leading research in this area accede maximization on big data; revolutionized the norm of medical and accounting profession. Despite the substantial value, big data uptake from the quantity surveying profession recognized subtle. Contrarily, construction stakeholders swiftly embrace modern technology in their construction value chain. This invoke a change in data landscape thus, present an urgent call for professionals, especially quantity surveyors to recognize the change, embrace and reap the big data benefit. This article aims to expand big data knowledge from the context of quantity surveying profession as an approach to soothe the big data and quantity surveying gap. This article identifies generic big data value from professional perspective and explore big data value from the quantity surveying context. Big data values are consistent across profession albeit the difference on how big data is maximized.

#### **Sources:**

[https://www.researchgate.net/publication/319562913\\_The\\_Effects\\_of\\_the\\_Internal\\_Control\\_Opinion\\_and\\_Use\\_of\\_Audit\\_Data\\_Analytics\\_on\\_Perceptions\\_of\\_Audit\\_Quality\\_Assurance\\_and\\_Auditor\\_Negligence](https://www.researchgate.net/publication/319562913_The_Effects_of_the_Internal_Control_Opinion_and_Use_of_Audit_Data_Analytics_on_Perceptions_of_Audit_Quality_Assurance_and_Auditor_Negligence)

[https://www.researchgate.net/publication/316616708\\_Big\\_Data\\_in\\_Accounting\\_and\\_Finance\\_A\\_Review\\_of\\_Influential\\_Publications\\_and\\_a\\_Research\\_Agenda](https://www.researchgate.net/publication/316616708_Big_Data_in_Accounting_and_Finance_A_Review_of_Influential_Publications_and_a_Research_Agenda)

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# PUBLIC SECTOR ACCOUNTING - THE ECOSYSTEM AND DELIBERATION THROUGH REVIEW OF LITERATURE

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*Professor and Area Chair Finance*

*CMS Business School*

*JAIN Deemed-to-be University, Bengaluru*

## 1. Eco System

### 1.1 Global Platform

The International Public Sector Accounting Standards Board (IPSASB) sets the benchmark as far the public accounting standards. It is the apex body for the setting the International Public Sector Accounting Standards (IPSAS). The IPSAB is an independent body, facilitated by the International Federation of Accountants (IFAC). It is supported by the World Bank, the Asian Development Bank, and the governments of the various developed nations. IPSASB has come out with 41 IPSAS. The detailed list of 41 IPSAS along with IPSAS-IFRS Alignment Dashboard may be had from the below link:

**Source:**

[https://www.ifac.org/system/files/uploads/IPSASB/Agenda%20Item%201.6%20IPSAS%20IFRS%20Alignment%20Dashboard\\_September%202018.pdf](https://www.ifac.org/system/files/uploads/IPSASB/Agenda%20Item%201.6%20IPSAS%20IFRS%20Alignment%20Dashboard_September%202018.pdf)

In a nutshell, the standards on public accounting will focus on the elements like Accounting for Assets, Liabilities (Pension etc.), Government Investments, Revenue from exchange transactions and non-exchange transactions, Expenses, Cash Flow Statements, Financial Reporting of Public Accounting and Preparation of Public Budgeting.

At the country level, the respective country's accounting standards board facilitate the adoption of IPSAS with or without modifications. The notable country wise public sector accounting standards boards are: The Governmental Accounting Standards Board (GASB) in the USA, the Canadian Institute of Chartered Accountants (CICA), the Australian Accounting Standards Board (AASB) the New Zealand Accounting Standards Board (NZASB) and the Indian Government Financial Reporting Standards (IGFRS).

### 1.2 Indian Platform

In India, the Government Accounting Standards Advisory Board (GASAB) was constituted by the Comptroller and Auditor General of India (C&AG) with the support of Government of India through a notification dated 12th August, 2002. GASAB has high level representation from the important accounting heads in Government, Ministry of Finance, Department of Post, Railways, Defense, Finance Secretaries of states, RBI, ICAI etc.

#### Responsibilities of the Board

- i. To establish and improve standards of governmental accounting and financial reporting in order to enhance accountability mechanisms;
- ii. To formulate and propose standards that improve the usefulness of financial reports based on the needs of the financial report users;
- iii. To keep the standards current and reflect changes in the governmental environment;
- iv. To provide guidance on implementation of standards;
- v. To consider significant areas of accounting and financial reporting that can be improved through the standard setting process; and
- vi. To improve the common understanding of the nature and purpose of information contained in financial reports.

**Source:**

(<http://gasab.gov.in/gasab/about.aspx>)

GASAB has taken a decision to develop accrual basis accounting standards alongside cash basis standards. As such, it has brought out two sets of standards:

- (1) Indian Government Accounting Standards (IGAS): These are for cash system of accounting and become mandatory from the effective date after their



notification by Ministry of Finance, Govt. of India. The list of IGAS are provided in Appendix 1.

(2) Indian Government Financial Reporting Standards (IGFRS): The accrual basis standards are issued under the title 'Indian Government Financial Reporting Standards (IGFRSs)'. The list of IGFRS are provided in Appendix 2.

In India, the government accounting follows the cash basis of accounting. The incumbent approach of cash basis of accounting suffers from serious limitations. One of the fundamental assumptions of accounting is accrual concept. Therefore, the GASAB has been working on the migration to accrual basis of accounting for the government (Union and State) accounting. These standards are issued initially as recommendatory for pilot studies on accrual accounting and will be mandatory with effect from the date of notification by the Government of India.

Accounting Standards for Local Bodies (ASLBs)

The Institute of Chartered Accountants of India has issued thirteen accounting standards for local bodies (ASLBs) such as municipal corporation, municipality, and panchayat. These ASLBs are based on IPSAS. [Press Release - ICAI issues Accounting Standard for Local Bodies - (30-05-2018)].

Source:

[https://www.icaai.org/new\\_post.html?post\\_id=14809](https://www.icaai.org/new_post.html?post_id=14809)

2. Spectrum of government accounting practices

The idea is move to accrual accounting from cash basis accounting. But the matter is not that simple as there are various liminal or middle path scenarios. PwC (2013) has brought out clearly the spectrum of government accounting a practice, which is presented below.

The spectrum of government accounting practices			
Cash accounting	Modified cash accounting	Modified accrual accounting	Accrual accounting
Cash payments and receipts are recorded as they occur.	Cash receipts and disbursements committed in the budget year are recorded and reported until a specified period after year-end.	Accrual accounting is used but certain classes of assets (e.g. fixed assets) or liabilities are not recognised.	Transactions and economic events are recorded and reported when they occur, regardless of when cash transactions occur.

Source: PwC Global survey on accounting and financial reporting by central governments (2013), April, p. 8.

3. Deliberations over accrual system in public accounting through Review of Literature

The review of literature provides the glimpse of the big picture on the subject being debated.

The UK is seen as the initiator of public service reform whereas New Zealand began as a late-starter but became the renowned leader, especially in the adoption and development of accrual accounting (Sheila Ellwood, Susan Newberry, 2007).

PwC (2013) survey brought out the top 10 key messages as far government accounting. The key messages are:

- (a) There is great diversity in accounting practices but the trend towards accrual accounting is clear
- (b) A major shift to accrual accounting is expected in developing countries, with IPSAS serving as a common reference point
- (c) Budgets remain largely on a cash basis
- (d) Conversion to IPSAS or similar accrual accounting standards is useful for government stakeholders
- (e) Greater transparency and accountability, comprehensive inventory of assets and liabilities, and performance assessment are the main benefits
- (f) Accounting for fixed assets, application of accruals concepts and disclosure requirements are the major areas of impact
- (g) More than three years is required on average to transition to accrual-based IPSAS (or similar)

(h) The lack of trained staff and IT system requirements are the main challenges

(i) Governments indicate a desire to improve their finance function

(j) Cost accounting, performance management, fixed assets management and long-term planning and forecasting are the key areas for improvement

Ribeiro (2004) stresses the governmental accounting harmonization since the political cost in terms of sovereignty and legitimacy might turn into positive results for politicians (e.g. improvements in European Public Administrations).

Ken Warren and Cheryl Barnes (2003) in their study of Review of Twelve Years' Experience with Accrual and Output-based Budgets in New Zealand have found positive consequences of accrual system. Further the finding was that the accrual accounting generates the ability for decision makers to take a longer-term focus.

Supranational agencies such as the International Monetary Fund (IMF), World Bank and Organization for Economics Cooperation and Development (OECD) recommending a move to accrual (Paulsson, 2006; Ellwood and Newberry, 2007)

Sheila Ellwood, Susan Newberry, (2007) found that accrual accounting provides a means to reduce the government's role to that of procurer of services and enforcer of rules set by others, thus advancing a controversial privatisation and trade liberalization agenda which is consistent with neo-liberal principles.

Sandra Cohen, Sotirios Karatzimas, (2017) provide empirical evidence, albeit of moderate magnitude, in favor of the benefits associated with a move to full accruals.

The study by Suhaiza Ismail, Siti Alawiah Siraj, Shahril Baharim, (2018) revealed that the change valence, task knowledge and task availability are significant and positively influence the change efficacy of the Federal Government to implement accrual accounting in Malaysia. However, only change valence is a positively significant factor in influencing change commitment.

Sylvia, Eko Ganis Sukoharsono, Yeney Widya Prihatiningtias, Roekhuudin, (2018) found that there is an indication of a symbolic dominance of central government in the implementation of accrual-based

accounting in the local government. Accrual accounting is considered to be a technique of government accountability which is independent from political and social situation.

Carlin (2005) comments that the widespread adoption of accrual accounting does not mean that the reform has been accepted without considerable debate and skepticism.

Araújo (1999) explains, the emphasis on the rule of law, the tradition of bureaucracy and resistance to change, the centralised nature, the control through hierarchy, and the focus on the process of inputs, have hampered the success of such reforms.

Helen Irvine, (2011) found the decision to change to accrual accounting was made at the top of the organizational hierarchy in response to institutional pressure to present a corporate image. The implementation of the new system was poorly conceived, inadequately resourced, and hampered by an authoritarian structure that effectively ignored the technical incompetence and training needs of many accounting staff. This resulted in an accounting system half way between cash and accrual, and very different from the system as it had been promoted. The process caused conflict at all levels of the organizational hierarchy.

Adriana Bruno, Irvine Lapsley, (2018) found that there is an absence of a well-defined template for implementing accrual accounting in government. These results reveal an elaborate process of improvisation and fabrication in the design of this accounting system and a fragile network in action.

A study by Pawan Adhikari, Frode Mellemvik, (2011) demonstrates that Nepal has been acquainted with the notion of accrual accounting since the late 1980s. The interest of international organizations and the involvement of professional accountants have been the two main factors driving this accrual accounting journey. The study also shows that the implementation of accrual accounting in the Nepalese central government has been an unsuccessful mission. This is why the notion of accrual accounting has been replaced by the improved version of cash accounting anchored on the cash basis International Public Sector Accounting Standard (IPSAS).

**4. Pathway Illustration: Taking example of New Zealand**

The New Zealand Accounting Standards Board (NZASB) used the following approach to develop the Public Sector PBE (Public Benefit Entity) Standards:

*Base:* The suite of IPSASs issued by the IPSAB was used as the starting point.

*Relevance:* Each IPSAS was considered for relevance in the New Zealand public sector PBE context.

*Irrelevance:* Two IPSASs were considered to be irrelevant in New Zealand and were excluded from the suite of PBE Standards (IPSAS 18 Segment Reporting and IPSAS 24 Presentation of Budget Information in Financial Statements).

*Modify:* All other IPSAS were then modified as appropriate for New Zealand circumstances.

*Equivalence:* A number of IPSAS were already based on IFRS with similar requirements to those in the equivalent NZ IFRS.

*Relevant but no IPSAS:* Where the IPSAS suite did not include a standard on a topic covered by an IFRS, and that topic was considered important in the New Zealand context for PBEs (for example, insurance

contracts).

*Guidance and Interpretation:* Where the IPSAS suite did not incorporate an interpretation that formed part of NZ IFRS and the interpretation was considered important in the New Zealand context, the relevant guidance or requirements were incorporated in the PBE Standards.

*Domestic Standards:* Relevant domestic standards were also included in PBE Standards, modified as appropriate for the public sector PBE context.

*Transition Standards:* Two transition standards were developed for smooth transition.

**Source:**  
<https://treasury.govt.nz/publications/guidance-and-instructions/reporting-and-review/transition-public-benefit-entity-pbe>

**5. Stakeholders' management:**

Mendelow (1991) has provided a tool to analyse the project stakeholders. The tool provides the classification of stakeholders based on the power and interest of the stakeholders as far as the project is concerned. Given the project on accrual system in public accounting, the stakeholders may be classified as below:

<p style="text-align: center;"><b>IMF World Bank OECD</b>  <b>(Keep Informed)</b></p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p style="text-align: center;"><b>High Power but Low Interest</b></p> </div>	<p style="text-align: center;"><b>Union Government</b>  <b>State Government</b>  <b>Local Bodies</b>  <b>(Key Players)</b></p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p style="text-align: center;"><b>High Power and High Interest</b></p> </div>
<p style="text-align: center;"><b>Public at large or Citizens</b>  <b>(Minimum Effort)</b></p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p style="text-align: center;"><b>Low Power and Low Interest</b></p> </div>	<p style="text-align: center;"><b>Business Partners</b>  <b>Rating Agencies</b>  <b>Professional Accounting Bodies</b>  <b>(Keep Satisfied)</b></p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: 80%;"> <p style="text-align: center;"><b>Low Power but High Interest</b></p> </div>

The above matrix provides the guidance for engaging the stakeholders for the successful implementation of the project/mission. The strategy and the approach for engaging the the stakeholder depends on the quadrant to which the stakeholder belongs to.

**6. Conclusion**

The present cash basis of accounting does not account for long term government liabilities (pension, Government borrowings etc) and fails to comprehend the true and fair fiscal state of the government. For a better public management of the government's treasury, accrual accounting is imperative. In India, public accounting is taking a new shape and the government is committed to it. But as aware, the change is not only resisted but is also resource (money, human capital, conviction, skill, talent, consensus) intensive. But sooner or later India has to converge and

embrace accrual system of accounting for public accounting for the obvious outcomes like superior rationalization and efficient control of public expenses, better budget management leading to accountability and responsibility, recognition, cooperation and assistance from supranational financial institutions (World Bank, IMF and OECD), harmonization of government accounting with International practices, strong fiscal restraint (New Zealand experience is the case in point), accountability of elected representatives, performance assessment, public value creation, informed decision making, reflect the full economic impact of political decisions and so on.

<b>Appendix 1</b>
<b>Indian Government Accounting Standards [IGAS]</b>
<b>IGAS Notified by Government of India</b>
Guarantees given by Governments: Disclosure Requirements (IGAS 1)
Accounting and Classification of Grants-in-aid (IGAS 2)
Loans and Advances made by Governments (IGAS 3)
<b>IGAS approved by GASAB and under consideration of Government of India</b>
Government Investments In Equity (IGAS 9)
Foreign Currency transactions and loss or gain by Exchange Rate variations (IGAS 7)
Public Debt and Other Liabilities of Governments: Disclosure Requirements (IGAS 10)
<b>Source: <a href="http://gasab.gov.in/gasab/igas.aspx">http://gasab.gov.in/gasab/igas.aspx</a></b>

<b>Appendix 2</b>
<b>IGFRS approved by GASAB and under consideration of Government of India</b>
IGFRS 1: Presentation of Financial Statements
IGFRS 2: Property, Plant & Equipment
IGFRS 3: Revenue from Government Exchange Transactions
IGFRS 4: Inventories
IGFRS 5: Contingent Liabilities (other than guarantees) and Contingent Assets: Disclosure Requirements
<b>Source: <a href="http://gasab.gov.in/gasab/igfrs.aspx">http://gasab.gov.in/gasab/igfrs.aspx</a></b>

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## Industry Focus - Iron & Steel Industry

### Introduction

India was the world's second-largest steel producer with production standing at 106.5 MT in 2018. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous modernisation and up-gradation of older plants and higher energy efficiency levels.

Indian steel industries are classified into three categories such as major producers, main producers and secondary producers.

### Market Size

India's finished steel consumption grew at a CAGR of 5.69 per cent during FY08-FY18 to reach 90.68 MT.

India's crude steel and finished steel production increased to 103.13 MT and 104.98 MT in 2017-18, respectively.

In 2017-18, the country's finished steel exports increased 17 per cent year-on-year to 9.62 million tonnes (MT), as compared to 8.24 MT in 2016-17. Exports and imports of finished steel stood at 5.77 MT and 7.13 MT, during April 2018-February 2019 (P).

### Investments

Steel industry and its associated mining and metallurgy sectors have seen a number of major investments and developments in the recent past.

According to the data released by Department for Promotion of Industry and Internal Trade (DPIIT), the Indian metallurgical industries attracted Foreign Direct Investments (FDI) to the tune of US\$ 11.18 billion in the period April 2000–December 2018.

Some of the major investments in the Indian steel industry are as follows:

- As of December 2018, Vedanta Group is going to set up a one million tonne capacity steel plant in Jharkhand with an investment of Rs 22,000 crore (US\$ 3.13 billion).
- JSW Steel will be looking to further enhance the capacity of its Vijayanagar plant from 13 MTPA to 18

MTPA. In June 2018, the company had announced plans to expand the plant's production capacity to 13 MTPA by 2020 with an investment of Rs 7,500 crore (US\$ 1.12 billion).

- Vedanta Star Ltd has outbid other companies to acquire Electrosteel Steels for US\$ 825.45 million.
- Tata Steel won the bid to acquire Bhushan Steel by offering a consideration of US\$ 5,461.60 million.
- JSW Steel has planned a US\$ 4.14 billion capital expenditure programme to increase its overall steel output capacity from 18 million tonnes to 23 million tonnes by 2020.
- In March 2019, ArcelorMittal was declared as the winning bidder to acquire Essar Steel for a consideration of Rs 42,000 crore (US\$ 5.82 billion).
- Tata Steel has decided to increase the capacity of its Kalinganagar integrated steel plant from 3 million tonnes to 8 million tonnes at an investment of US\$ 3.64 billion.

### Government Initiatives

Some of the other recent government initiatives in this sector are as follows:

- An export duty of 30 per cent has been levied on iron ore<sup>^</sup> (lumps and fines) to ensure supply to domestic steel industry.
- Government of India's focus on infrastructure and restarting road projects is aiding the boost in demand for steel. Also, further likely acceleration in rural economy and infrastructure is expected to lead to growth in demand for steel.
- The Union Cabinet, Government of India has approved the National Steel Policy (NSP) 2017, as it seeks to create a globally competitive steel industry in India. NSP 2017 envisages 300 million tonnes (MT) steel-making capacity and 160 kgs per capita steel consumption by 2030-31.
- The Ministry of Steel is facilitating setting up of an industry driven Steel Research and Technology Mission of India (SRTMI) in association with the public and private sector steel companies to spearhead research and development activities in the iron and steel industry at an initial corpus of Rs 200 crore (US\$ 30 million).
- The Government of India raised import duty on most steel items twice, each time by 2.5 per cent and imposed measures including anti-dumping and safeguard duties on iron and steel items.

**Road Ahead**

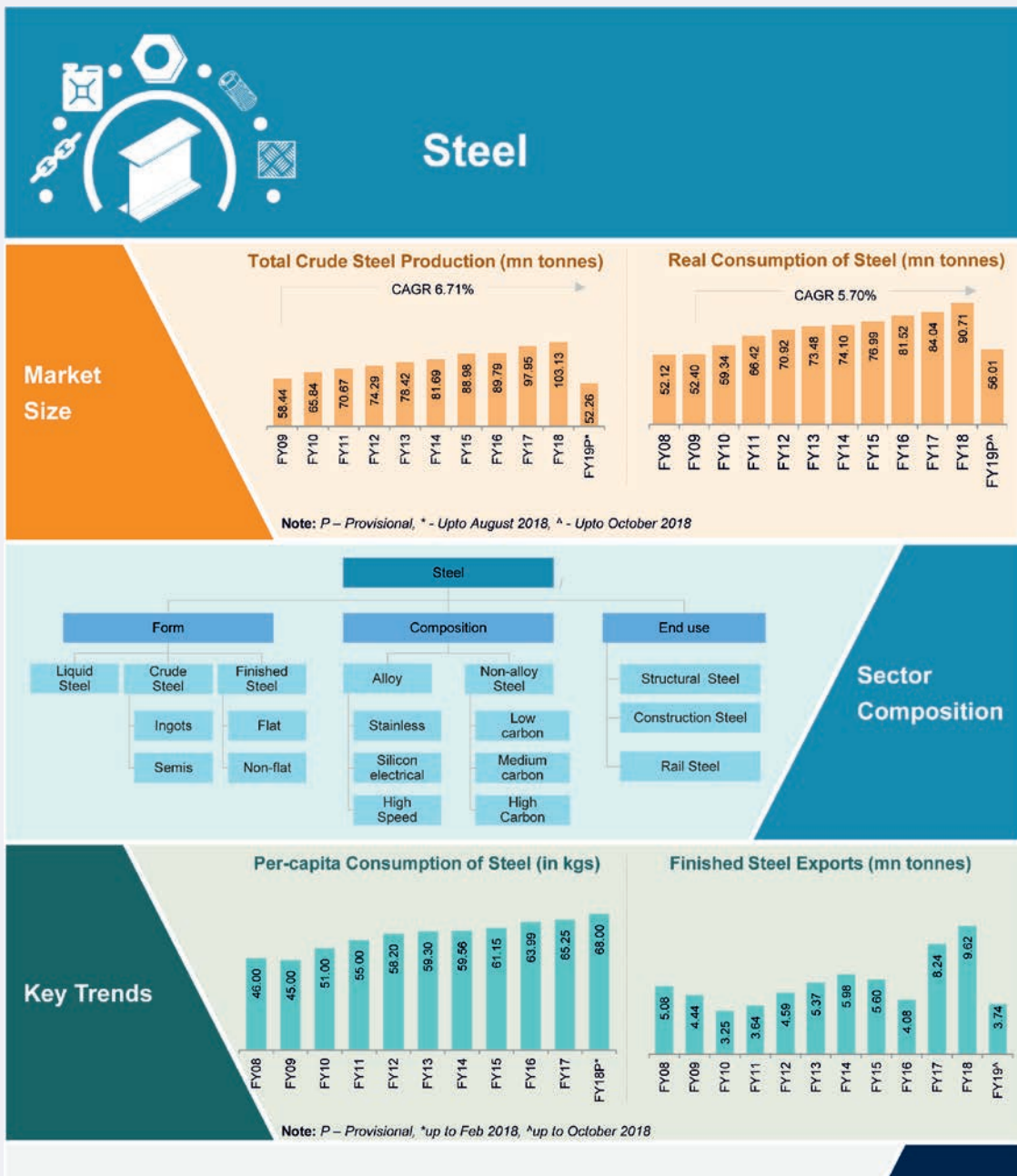
The National Steel Policy, 2017, has envisaged 300 million tonnes of production capacity by 2030-31. In 2018, steel consumption of the country is expected to grow 5.7 per cent year-on-year to 92.1 MT\*. Further, India is expected to surpass USA to become the world's second largest steel consumer in 2019\*.

Huge scope for growth is offered by India's comparatively low per capita steel consumption and the expected rise in

consumption due to increased infrastructure construction and the thriving automobile and railways sectors.

**References:** Media reports, Press releases, Press Information Bureau (PIB), Joint Plant Committee (JPC), IBEF, RNCOS Reports.

*Disclaimer: This information has been collected through secondary research and the Institute is not responsible for any errors in the same.*



## Industry Focus - Tourism & Hospitality

### Introduction

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country. During 2018, FEEs from tourism increased 4.70 per cent\* year-on-year to US\$ 28.59 billion. FEEs during January 2019 was US\$ 2.55 billion.

India has 12 major and 205 notified minor and intermediate ports. Under the National Perspective Plan for Sagarmala, six new mega ports will be developed in the country. The Indian ports and shipping industry plays a vital role in sustaining growth in the country's trade and commerce. India is the sixteenth largest maritime country in the world, with a coastline of about 7,517 km. The Indian Government plays an important role in supporting the ports sector. It has allowed Foreign Direct Investment (FDI) of up to 100 per cent under the automatic route for port and harbour construction and maintenance projects. It has also facilitated a 10-year tax holiday to enterprises that develop, maintain and operate ports, inland waterways and inland ports.

### Market Size

India is the most digitally-advanced traveller nation in terms of digital tools being used for planning, booking and experiencing a journey, India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism.

During 2018, foreign tourist arrivals (FTAs) in India stood at 10.56 million, achieving a growth rate of 5.20 per cent year-on-year. FTAs in January 2019 stood at 1.10 million, up 5.30 per cent compared to 1.05 million year-on-year.

The travel & tourism sector in India accounted for 8 per cent of the total employment opportunities generated in the country in 2017, providing employment to around 41.6 million people during the same year. The number is expected to rise by 2 per cent annum to 52.3 million jobs by 2028.

International hotel chains are increasing their presence in the country, as it will account for around 47 per cent share in the Tourism & Hospitality sector of India by 2020 & 50 per cent by 2022

### Investment

During the period April 2000-December 2018, the hotel and tourism sector attracted around US\$ 12 billion of FDI, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

### Government Initiatives

The Indian government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub.

Some of the major initiatives planned by the Government of India to give a boost to the tourism and hospitality sector of India are as follows:

- Statue of Sardar Vallabhbhai Patel, also known as 'State of Unity', was inaugurated in October 2018. It is the highest standing statue in the world at a height of 182 metre. It is expected to boost the tourism sector in the country and put India on the world tourism map.
- The Government of India is working to achieve 1 per cent share in world's international tourist arrivals by 2020 and 2 per cent share by 2025.
- Under Budget 2019-20, the government allotted Rs 1,160 crore (US\$ 160.78 million) for development of tourist circuits under Swadesh Darshan.
- Under Budget 2019-20, the government allotted Rs 160.50 crore (US\$ 22.25 million) for development of tourist circuits under Swadesh Darshan.

### Achievements

Following are the achievements of the government during 2017-18:

- During 2018-19, a total of seven projects worth Rs 384.67 crore (US\$ 54.81 million) were sanctioned under the Swadesh Darshan scheme.
- As of July 2018, 14 states had deployed tourist police. In November 2018, Nagaland also deployed a separate tourist police in the state.



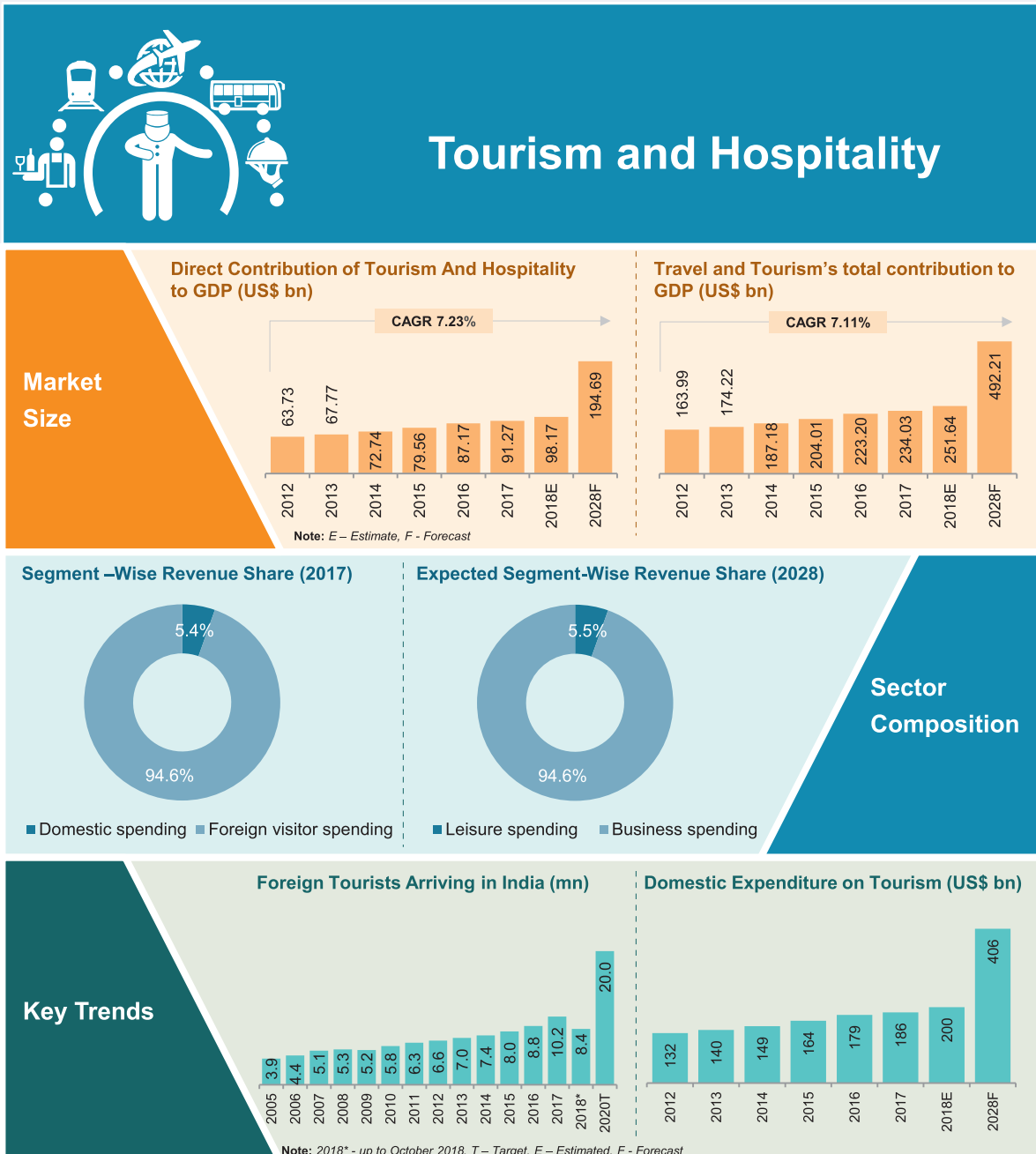
Road Ahead

India's travel and tourism industry has huge growth potential. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. India's travel and tourism industry has the potential to expand by 2.5 per cent on the back of higher budgetary allocation and low cost healthcare facility, according to a joint study conducted by Assocham and Yes Bank.

References

Media Reports, Ministry of Tourism, Press Releases, Department for Promotion of Industry and Internal Trade (DPIIT), Press Information Bureau (PIB), IBEF, Union Budget 2018-19

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## Industry Focus - Education & Training Industry

### Introduction

India holds an important place in the global education industry. India has one of the largest networks of higher education institutions in the world. However, there is still a lot of potential for further development in the education system.

Moreover, the aim of the government to raise its current gross enrolment ratio to 30 per cent by 2020 will also boost the growth of the distance education in India.

### Market Size

India has the world's largest population of about 500 million in the age bracket of 5-24 years and this provides a great opportunity for the education sector. The education sector in India is estimated at US\$ 91.7 billion in FY18 and is expected to reach US\$ 101.1 billion in FY19.

Number of colleges and universities in India reached 39,050 and 903, respectively in 2017-18. India had 36.64 million students enrolled in higher education in 2017-18. Gross Enrolment Ratio in higher education reached 25.8 per cent in 2017-18.

The country has become the second largest market for e-learning after the US. The sector is expected to reach US\$ 1.96 billion by 2021 with around 9.5 million users.

### Investments / recent developments

The total amount of Foreign Direct Investment (FDI) inflow into the education sector in India stood at US\$ 2.21 billion from April 2000 to December 2018, according to data released by Department of Industrial Policy and Promotion (DIPP).

The education and training sector in India has witnessed some major investments and developments in the recent past. Some of them are:

- Indian education sector witnessed 18 merger and acquisition deals worth US\$ 49 million in 2017.
- Of all the startups in India, 3,500 are catering to the education space. These startups received close to US\$ 700 million funding in 2018.
- The Ministry of Human Resource Development, Government of India is also planning to raise around Rs 1 lakh crore (US\$ 15.52 billion) from private companies and high net worth individuals to finance improvement of education infrastructure in the country.

- India has signed a loan agreement with World Bank under 'Skills Acquisition and Knowledge Awareness for Livelihood Promotion' (SANKALP) Project to enhance institutional mechanisms for skills development.
- Singapore is going to open its first skill development centre in Assam, which will provide vocational training to youth in the region.

### Government Initiatives

Some of the other major initiatives taken by the Government of India are:

- In August 2018, Innovation Cell and Atal Ranking of Institutions on Innovation Achievements (ARIIA) were launched to assess innovation efforts and encourage a healthy competition among higher educational institutions in the country.
- In August 2018, Government of India launched the second phase of 'Unnat Bharat Abhiyan' which aims to link higher educational institutions in the country with at least five villages. The scheme covers 750 such institutions.
- The allocation for school education under the Union Budget 2018-19 is expected to increase by 14 per cent, to focus on accelerating existing schemes and quality improvement.
- In order to boost the Skill India Mission, two new schemes, Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) and Skill Strengthening for Industrial Value Enhancement (STRIVE), have been approved by the Cabinet Committee on Economic Affairs (CCEA), Government of India, with an outlay of Rs 6,655 crore (US\$ 1.02 billion) and will be supported by the World Bank.
- The Ek Bharat Shreshtha Bharat (EBSB) campaign is undertaken by Ministry of Human Resource Development to increase engagement between states, union territories, central ministries, educational institutions and general public.
- Prime Minister Mr Narendra Modi launched the Skill India initiative – 'Kaushal Bharat, Kushal Bharat'. Under this initiative, the government has set itself a target of training 400 million citizens by 2022 that would enable them to find jobs. The initiatives launched include various programmes like: Pradhan Mantri Kaushal Vikas Yojana (PMKVY), National Policy for Skill Development and Entrepreneurship 2015, Skill Loan scheme, and the National Skill Development Mission.

- In December 2018, the Government of India published that 3.43 million candidates had enrolled in the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) 2016-20 scheme. Up to January 24, 2019 as many as 2.53 million candidates were trained under the scheme's Short Term Training (STT).

India holds an important place in the global education industry. India has one of the largest networks of higher education institutions in the world. However, there is still a lot of potential for further development in the education system.

Moreover, the aim of the government to raise its current gross enrolment ratio to 30 per cent by 2020 will also boost the growth of the distance education in India.

### Government Achievements

Following are the achievements of the government in the past four years:

- Under the mid-day meal scheme initiated by the Government of India, about 95 million students of around 1.14 million schools enjoy fresh meal every day.
- The Government has laid foundation of 141 universities and 7 IITs in the past four years.
- With an aim of promoting innovation and entrepreneurship among secondary school students in the country NITI Aayog, Government of India has launched the Atal Innovation Mission (AIM) In June 2018, 3,000 additional Atal Tinkering Labs were approved, taking the total number of labs to 5,441.

### Road Ahead

In 2030, it is estimated that India's higher education will:

- Adopt transformative and innovative approaches in Higher education.
- Have an augmented Gross Enrolment Ratio (GER) of 50 per cent
- Reduce state-wise, gender based and social disparity in GER to 5 per cent.
- Emerge as a single largest provider of global talent, with one in four graduates in the world being a product of the Indian higher education system.
- Be among the top five countries in the world in terms of research output with an annual R&D spent

of US\$ 140 billion.

- Have more than 20 universities among the global top 200.

Various government initiatives are being adopted to boost the growth of distance education market, besides focusing on new education techniques, such as E-learning and M-learning.

Education sector has seen a host of reforms and improved financial outlays in recent years that could possibly transform the country into a knowledge haven. With human resource increasingly gaining significance in the overall development of the country, development of education infrastructure is expected to remain the key focus in the current decade. In this scenario, infrastructure investment in the education sector is likely to see a considerable increase in the current decade.

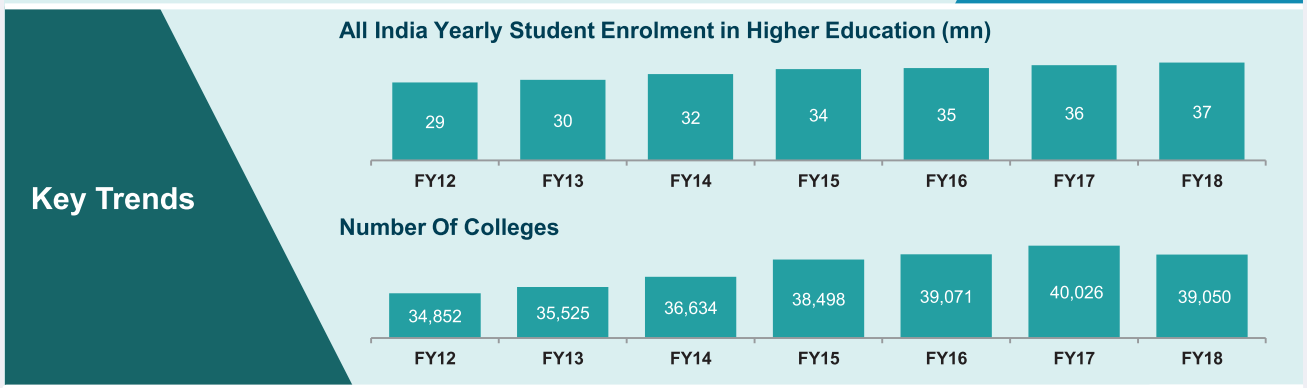
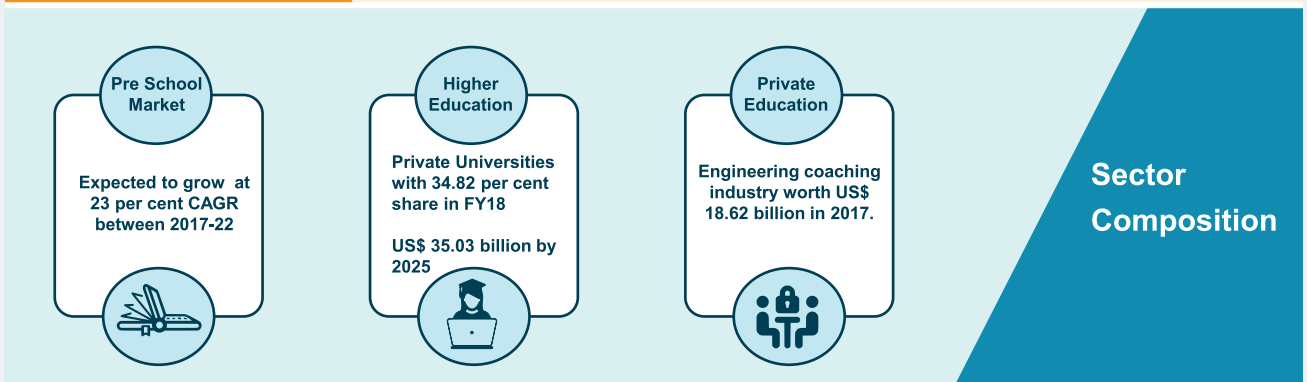
Moreover, availability of English speaking tech-educated talent, democratic governance and a strong legal and intellectual property protection framework are enablers for world class product development, as per Mr Amit Phadnis, President-Engineering and Site Leader for Cisco (India).

The Government of India has taken several steps including opening of IIT's and IIM's in new locations as well as allocating educational grants for research scholars in most government institutions. Furthermore, with online modes of education being used by several educational organisations, the higher education sector in India is set for some major changes and developments in the years to come.

**References:** Media Reports, Press Releases, Press Information Bureau, IBEF, RNCOS Report, Department for Promotion of Industry and Internal Trade (DPIIT), Union Budget 2018-19

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# Education



## Industry Focus - Banking Industry

### Introduction

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).\*

### Market Size

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions.^^ In FY07-18, total lending increased at a CAGR of 10.94 per cent and total deposits increased at a CAGR of 11.66 per cent. India's retail credit market is the fourth largest in the emerging countries. It increased to US\$ 281 billion on December 2017 from US\$ 181 billion on December 2014.

### Investments/developments

Key investments and developments in India's banking industry include:

- As of September 2018, the Government of India launched India Post Payments Bank (IPPB) and has opened branches across 650 districts to achieve the objective of financial inclusion.
- The total value of mergers and acquisition during 2017 in NBFC diversified financial services and banking was US\$ 2,564 billion, US\$ 103 million and US\$ 79 million respectively @ .
- The biggest merger deal of FY17 was in the microfinance segment of IndusInd Bank Limited and Bharat Financial Inclusion Limited of US\$ 2.4 billion @ .

- In May 2018, total equity funding's of microfinance sector grew at the rate of 39.88 to Rs 96.31 billion (Rs 4.49 billion) in 2017-18 from Rs 68.85 billion (US\$ 1.03 billion).

### Government Initiatives

- As of September 2018, the Government of India has made the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme an open ended scheme and has also added more incentives.
- The Government of India is planning to inject Rs 42,000 crore (US\$ 5.99 billion) in the public sector banks by March 2019 and will infuse the next tranche of recapitalisation by mid- December 2018.

### Achievements

Following are the achievements of the government in the year 2017-18:

- To improve infrastructure in villages, 204,000 Point of Sale (PoS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).
- Between December 2016 and March 2017, a major drive was undertaken to boost use of debit cards, resulting in an increase in the number of Point of Sale (PoS) terminals by an additional 1.25 million by 2017 end from 1.52 million as on November 30, 2016.
- The number of total bank accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 333.8 million as on November 28, 2018.

### Road Ahead

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements.

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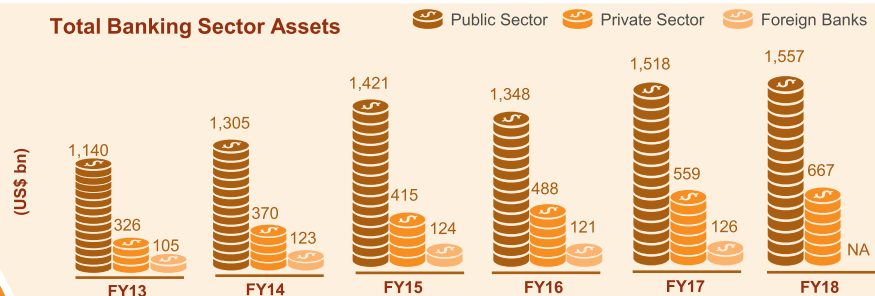
**References:** Media Reports, Press releases, Reserve Bank of India, Press Information Bureau, IBEF, www.pmjdy.gov.in



# Banking

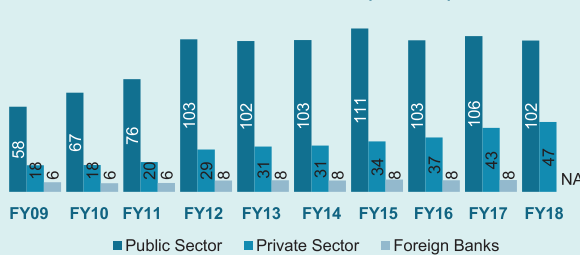
**Market Size**

## Total Banking Sector Assets

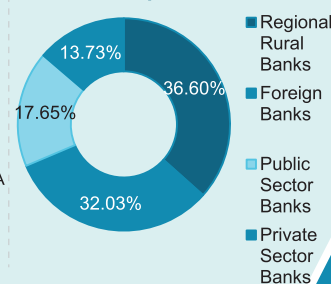


**Trend Point:** Private sector expanded at an CAGR of 12.68 per cent during FY13–18, while foreign banks posted a growth of 4.69 per cent during FY13–17.

## Interest Income Growth (US\$ bn)



## Breakup Of Banks in India (FY17)

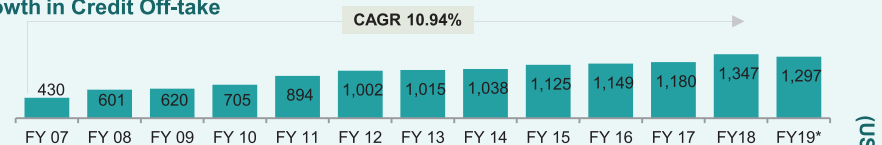


## Sector Composition

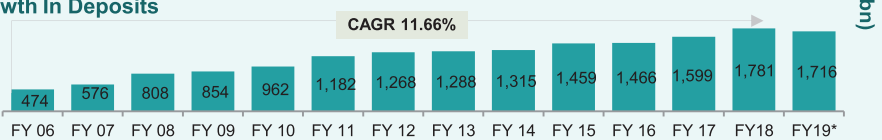
**Note:** Figures given for the breakup are exclusive of 1,562 Urban Cooperative Banks and 94,384 Rural Cooperative Banks operational in India.

**Key Trends**

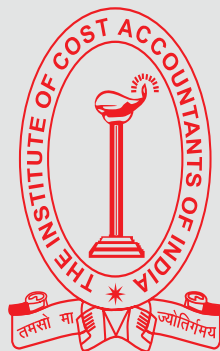
## Growth in Credit Off-take



## Growth In Deposits



**Note:** \* - between April – June 2018, CAGR till FY18



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