INDIAN ACCOUNTING REVIEW

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Can Textual Analysis of Corporate Filings Predict Business Related Risks?

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ABSTRACT

This article presents an overview of the textual analysis of companies' regulatory filings. More specifically, it provides a discussion on readability indices, and new developments in this area of research. Next, the article discusses six different risk sentiment metrics, one by Feng Li (2006) that is based on the six risk-related words, and the other five risk sentiment metrics, *financial risk, litigation risk, tax risk, idiosyncratic risk*, and *systematics risk*, based on the risk factors disclosed in Item 1A of 10K (annual report filed with the US Security Exchange Commission). Using several examples, the article contrasts these risk sentiments for companies that have been involved in financial fraud and the companies that have not been involved in financial fraud. Finally, the article introduces *cosine similarity metric* that determines how different two documents are by considering the two documents as multi-dimensional vectors where each word represents a dimension. Several examples are used to contrast the pattern of changes over time in *cosine similarity metric* for companies involved in fraudulent financial reporting and not involved in such activities.

Key words: Textual analysis, Fraud risk, Litigation risk, Tax risk, Cosine similarity, SeekiNF

Liquidity Balancing and Transaction Denial Imbroglios of Business Correspondents: An Investigation using Structured Equation Modeling*

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ABSTRACT

One of key strategies for enlarging the coverage of financial inclusion in India has been the introduction of the Business Correspondent (BC) model to deliver financial services as a low cost alternative channel to branch based banking for the poor and unprivileged population dwelling in the far flung rural areas. This study observes that activities involved in maintaining sufficient e-float and physical cash at the BC outlets to perform cash-in and cash-out transactions forms the crux of liquidity management problems. The onus to arrange liquidity lies with the BC agents as they are responsible for operating the Customer Service Points with a condition that they will finance the Bank Settlement Account. The credibility and sustainability of agents depend to a larger extent in ensuring sufficient cash and e-float so that there are no transaction denials. The study empirically examines whether transaction denials and customer dissatisfaction as a consequence of denials are in any way influenced by factors such as amount of e-float, transaction volatilities, rebalancing frequency, rebalancing time and bank support.

Key words: Business Correspondent, Financial Inclusion, Liquidity, E-Float, Structural Model

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Disentangling International Business Scenario of Indian Banks: An Overview

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ABSTRACT

The paper focuses on specific aspects of the Indian banking system based on the insights of the statistics published by the Reserve Bank of India (RBI) and the Bank for International Settlements (BIS). First, it analyses the long-term trends in the overall business of the scheduled commercial banks (SCBs). Second, it investigates the total banking business by the foreign offices of Indian-owned banks. Third, the focus zooms into the international activities of Indian banks' offices in India and abroad. Finally, the study presents descriptive statistics and makes comparative analysis of geographic concentration in cross-border banking across BRICS countries by using the Herfindahl–Hirschman Index. The findings reveal the need for disentangling international business from domestic business and suggest the policymakers to examine the concentration of cross-border business to avoid possible contagion risks in the globalised financial markets.

Key words: Scheduled Commercial Banks, Cross-Border and Domestic Business, Banking Business Trend, Herfindahl–Hirschman Index, Geographic Concentration

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Impact of Disinvestment on Financial Performance of CPSEs: Evidence from India

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ABSTRACT

During the year 2013-14, two of the leading Central Public Sector Enterprises (CPSEs) in India underwent disinvestment following the directives of the Central Government. In this context, the present study has used the applications of the ratio-based Altman Z-score model and paired t-test to examine the impact of disinvestment upon the financial ratios of IOCL and BHEL covering the pre- and post-disinvestment period, with reference to the fiscal year 2013-14. The study has found no significant impact of disinvestment on the financial ratios of sampled firms and both the firms continued to remain in the Gray Zone even after disinvestment.

Key words: Disinvestment, CPSE, Financial ratios, Altman Z-score, Paired t-test

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Size Dependent Discretionary Accruals in Indian Firms: Some Empirical Evidences

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ABSTRACT

The ways and means of creative manipulation of reported income by the incentivized managers to subserve their own interest of maximizing pay-off is earnings management. Evidence of earnings management is present globally which is reflected in the literature in this area. This study attempts to find out the existence of discretionary accruals in firms in India and then establishes a size based dependence of accruals in the firms. The size specific influence is an important way of interpretation of characteristics of earnings management as well.

Key words: Earnings Management, Discretionary Accruals, Size based influences, Audit quality, IPO under-performance

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