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Dr. Ranjeet K Singh
President
International Association of Scientist & Researchers

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The Efficient Market Hypothesis in Developing Countries: Indonesia

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Abstract:

By considering all the historical and developmental background of the efficiency market hypothesis, in this paper it will be a quick review on the evidence of the rejection of the hypothesis based on previously done studies and based on own investigations. The main object of the paper is about the determinations done on stock prices. It is thought that a high quality predictability of the stock prices has a huge role in the security market and in the whole macroeconomic policies of a country. The efficiency and predictability adjusted by the efficiency market hypotheses are violated in stock market, by emphasizing the fact that the future stock prices and returns are not estimated completely by the previous years' data. In this paper, it is tried to find out other models done for returns and prices securities in Indonesia to prove the rejection of the hypothesis, that in fact it is implicated also in some other developing countries. The model of the stock prices and the other estimators by using the root test examine the weak form of the efficiency market hypothesis and confirm the rejection of the hypothesis. By the help of the Augmented Dickey-Fuller test and the Granger test of causality, it can be understood that market efficiency cannot be fully predictable and understandable, because it is a matter of the economic behavior.

Key Words: *Augmented Dickey Fuller Test, Efficient Market Hypothesis, Indonesia, Stock Markets*

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Introduction

The developing economies recently are surpassing huge economical, institutional, social and political changes. Economic growth is related especially with capital flows, trade and financial market expansions. All the market participants are working out together to try to construct an international capital market economy where their emerging market can integrate in the world economical activities. Behavior of the stock prices and also the fluctuations on exchange rate give the trace to the investors to have some information about the market. This is the point where Fama (1970) developed the idea of the Capital Market Efficiency which relies on the utilization of the information available for the rational expectations. The efficiency of the market is supposed to be completed whenever the whole market shares all the information which is needed to predict the future background for the newly investments. He derived this idea in an empirical evidence of the relationship between the forward rate and the spot rate into an operational form where the forward rate is thought to be equal to the expected spot rate and the risk premium of the issued security. Due to this idea other empirical researches are done especially on stock markets to show the effect of prices behavior on publicly available information. The hypothesis is assumed to be a joint one since it is believed that the agents that are expecting the evaluation of the prices in the next period are rational in the meaning that they do make no systematic forecasting errors and they have sufficient information to know the expected market price equilibrium and equilibrium returns. The prices of the assets are said to be a random walk variable. The availability of the information and the rationality of the agents divide the hypothesis into three forms: weak, semi-strong and strong efficient forms (Lo and MacKinlay, 1988). This classification is done to emphasize the point where the hypothesis is break down, which is the point that the market has potential information to be reflected into the securities' prices. Most of the studies done previously have been tested due to the first two forms of the hypotheses because the distribution of the private information is so difficult and privately saved and there it is thought that the share of information is costless and the market ought to be perfectly competitive so that the prices gain all the possibility to capture freely all the market information. An interested characteristic that caught my attention (being one of the reasons why it is choose Indonesia as an example in this paper) is that there exist three stock markets: Jakarta, Surabaya and Indonesia Stock market. Each of them seeks to pursue efficient strategies for investors and other financial agents in order to offer to the market a profitable and secure environment. Due to the economic factors it is difficult to have a fully behavioral and efficient stock market. Government is trying to find efficient policies to be implemented into the economy in order that the participants can access to the target aims. The Jakarta Stock Market is becoming one of the most performed markets in the asian continent. Although the markets are emerging towards financial globalization, there are still some mismatches between the structural changes of the market and the behavior of the people despite that they have three different markets for carrying their preferences from one market to another. But again there are a lot of structural risks, that associate the companies that invest in the market such as credit risk, liquidity risk, market risk, exchange rate risks etc.. There are real improvements in the stock market that outperform the investors' environment, as improvements in the confidence of the business cycle and in the investors. The Jakarta Market tries to supply to the public the needed amount of the stocks in order that they can try to achieve the required profits. It performs micro and macro economic conditions so that the seller and the buyers of the securities can interact easily with each other. The domestic environment of the capital market, especially the political conditions, it has negatively effects in the global liberalization of the stock market. In mostly developing countries the efficiency market hypothesis is rejected.

Metodothogy

The EHM states the fact that the stock prices reflect all the information done publicly, so the Indonesian market by being so well performed may accept this statement. The data used on this investigation includes all the data of the stock markets for the trade companies. Most of the data used are monthly collected from Datastream. Based on the other researches, there are evaluated the results according to the traditional EHM methodology. The basic econometric regression is tested over the logarithms of stock prices of a certain period and one previous period. $\boldsymbol{P_t = \mu + P_{t-1} + \varepsilon_t}$ ***, for t=1.........T*** where $\boldsymbol{P_t}$ and $\boldsymbol{P_{t-1}}$ are the logarithm of the prices of the stocks of tomorrow and today respectively. And the null hypothesis is: $\boldsymbol{H_0: \mu=0}$ ***where the ΔP=composition of returns*** $\boldsymbol{=\mu+\varepsilon}$. It is used the Augmented Dickey Fuller tests to examine the stationarity of the prices. The investigation that is done here generates the informations that the prices are in the market as a whole and also shows the market turnover rate volatility over time. If it is looks behind in time a vary range of the data analyses will be seen in order to determine the path of the asset prices. Eugene Fama (1970) was the first economist who beside the development of the idea of the market efficiency hypothesis and he also investigated the basic econometric regressive model. He has emphasized strongly the randomness in the price movements and the data collected in an arbitrage form, where he evaluated the idea of the joint hypothesis, under which the coming analyses were derived. First the methodology will examine if the exchange rates are a random walk and secondly if the future data are an unbiased predictor of the future prices taking also into consideration the returns. There are a lot of econometric techniques that try to test the hypothesis and for sure that they all have the same variables adopted in different manner (Guidi, Gupta and Maheshwari, 2011). In the previously studies are treated two kinds of financial markets: the stock market and the exchange rate market. The basic regression used in the exchange rate market is: $\Delta s_{t+k} = \alpha + \beta f p_t + u_{t+k}$.

According to this regression developed by Fama (1970), Dickey-Fuller (1981), Engle and Grager (1987), Phillips and Perron (1988), Johansen (1991) there are used to estimate the analysis by testing the order and degree of integration of the variables and also by testing the moving-average errors. For instance, the basic idea of these tests is hidden behind the orthogonality concept where the relation of the information available and the forecast is proved. Based on this scheme, directly the prices of the assets are analyzed. Hansen and Hodrick (1983), Giovannini and Jorion (1987), Chan, Gup and Pan (1992) have exploited the capital asset pricing model into the econometric equation in order to evaluate the riskiness of security shares. They all expected that the profit in the long run will be at its normal level despite the short term fluctuations, since they are caused due to slow adaptation of the new market information. After them many other regression models are been used to test the hypothesis of the efficiency. Dickinson and Muragu (1994) adopted the most recently used methods of autoregressive conditional heteroscedasticity structure to show the level of the return of the stocks. $E_t[P_{t+1}|S_t] = P_t + \mu$ is the representation of the fundamental definition of the EHM where the expectation of the tomorrow prices giving all the relevant information S_t will be equal to the today's price and a deterministic regular variable change μ. In base of this concept, the linear models of regression dominates the financial market by inquiring the price changes. The ARCH linear model have some autoregressive structure of their distribution. Moreover people started to pay more attention on General ARCH since their models include more than one lag: $h_{t+1}=\alpha_0+\alpha_1 u_t^2+\beta_1 h_t=\alpha_0+(\alpha_1+\beta_1)h_t+\alpha_1(u_t^2-h_t)$. In which, it is thought that the shock volatility is being reflected also in the next period. Nevertheless, several studies emphasize that stock market volatility is higher during recessions than during expansions, while mean that returns are lower during recessions (Kim and Shamsuddin, 2008). For instance, if there appears to be GARCH (1,1) with $\alpha_1+\beta_1=1$ which has a unit autoregressive root it signifies that today's volatility is going to affect forecasts of volatility into the indefinite future. Moreover the term "volatility clustering" appeared in the ARCH processes emphasize the fact that the returns are very bounded with the time changes so also the price volatility are reflected directly in the next period. The more the economy is integrated to the world system, the higher are the effects of the macroeconomic variables into the market of that country. Above and beyond this it can be say that the return of the stocks beside its prices depends also from the exchange rate fluctuations, inflation rates, interest rates, prices of the bonds and many other macroeconomic variables. Another model is the linear Granger causality test, where there is a nonlinear parametric causality test based on the nonexistent predictive power for yt of lagged values of another variable xt that is characterized by an additive smooth transition component as in the additive smooth transition regression model: $\grave{\eta}_t = \beta_0' g_t + \sum_{j=1}^{q} \delta_j x_{t-j} + \sum_{i=1}^{q}\sum_{j=1}^{q} \varphi_{ij} x_{t-1} x_{t-j} + \sum_{j=1}^{q} \psi_j x^3_{t-j}$. The hypothesis "$x_t$ does not Granger cause y_t" can be written as $H_0: \delta 1 = 0, \varphi ii = 0$ and $\Psi j = 0$. There are many other regression equations and models used to treat this topic, but in this study it is tried to give the most important one. As a summary, all the methods estimate the random walk model for the return distribution.

Results

From the results of the test, it can be seen that the null hypothesis of nonlinearity is rejected completely. The today prices are not able to reflect to the public the information needed to predict the tomorrow ones, meaning that the market is inefficient. This kind of investigation shows only the inner effect that the stock market obtains, but are not taking into consideration the other economic variables.

Table 1. Regression results.

	Coefficient	Std. Error	z-Statistic	Prob.
C	0.0435764935848	0.0167721497886	2.59814598211	0.00937286374323

LOGX	0.992780522113	0.00274149597436	362.130942886	0
	Variance Equation			
C	8.95600570563e-06	1.69972917402e-06	5.26907806404	1.37110649501e-07
ARCH(1)	0.149807018985	0.0580656301223	2.57996027374	0.0098811681507
GARCH(1)	0.600545016307	0.0738663242009	8.13015975553	4.4408920985e-16
R-squared	0.995673121977	Mean dependent var		6.1214737516
Adjusted R-squared	0.995639449775	S.D. dependent var		0.0826286734711
S.E. of regression	0.00545634003197	Akaike info criterion		-7.61638691007
Sum squared resid	0.0153026263239	Schwarz criterion		-7.57542444491
Log likelihood	1981.45240316	F-statistic		29569.5870099
Durbin-Watson stat	1.78604647358	Prob(F-statistic)		0

Source: Author calculations.

As mentioned previously, the stock market must be thought as a separate institution where the participants act without looking outside the market. The prices of securities do not behave apart from the other macro and micro variables. The fluctuations of the macro indicators affect the development of the economy of Indonesia but also in the stock prices. The investors when predict the future environment takes into consideration the today prices but also try to capture all the informations that other variables offers to them. Most of the investors are quite sensitive to the market rumors, especially from the ones raised from political disturbances. Since the prices of securities and their turnover rate are not alone in the market, it is decided to test some variables to show their fluctuations and volatility. The unit root test shows in an appropriate way the deviations of the variables of the economy. The Augmented Dickey Fuller test that it is used is obtained by: $\Delta X_t=\lambda_0+\lambda_1 X_{t-1}+\lambda_2 T+\sum_{i=1}^{u}\psi 1\Delta X_{t-1}+\varepsilon$, where λ_0, λ_1, λ_2 are the coefficients that are estimated and ε is the white noise error term. According to the formula, it is emphasized the fact that ADF method is used to test the variables in the presence of a constant term and a deterministic drift.

Table 2. The results of the Augmented Dickey Fuller Test.

Variables	With intercept/ no trend	No intercept/ with trend
turnover	-2.851876**	-2.706144*
RER	1.137613	-1.641691*
interest rate spread	-2.407386*	-2.388681*
real interest rate	-2.138996*	-2.437125*
inflation	-2.315566*	-2.233385*
Δturnover	-3.473887***	-3.312033**
ΔRER	-2.309938*	-3.386031**

Δinterest rate spread	-4.58942	-4.585493***
Δreal interest rate	-4.425071	-4.233533***
Δinflation	-4.058288	-3.928913***

Source: Author calculations.

The critical values for 1%, 5% and 10 % level of significance for no trend variation are -3.9228, -3.0659, -2.6745 respectively and critical values for 1%, 5% and 10 % levels of significance with trend variation are -4.6712, -3.7347 and -3.3086 respectively. Most of the values are significant but it still should prefer the variables with no intercept and trend. As it is seen from the table, it is not only the variable (turnover rate) that reject the unit root test but also almost all the other variables reject the hypotheses. This means that not only the variable (turnover) is fluctuating across the time but also the economy as a whole it is not follow a regular path because the nonlinearity is a feature that associates the market in general. The unequal dissemination of the economic standards in Indonesia distorts the predictable stock movements. The indonesian market could not reflect all the information among the prices or returns of the stocks since the ineffectiveness of the markets comes from the instability of the economy in general. The macroeconomic agents fluctuates over time which also changes the prices of the securities since the stock market is a dependent institution with the economy as a whole. The parameters of the economy highlight the ways of dealing with investments among which the investors can evaluate the indexes of the markets. Despite the fact that the Jakarta Stock Market has make huge progress in the last years it doesn't give the strength to attribute all the relevant information to investors to examine the tomorrow prices by just looking at today ones. Traders do not only diversify their portfolio among this three stock Indonesian markets but also they used other fields of the economy, even abroad. Thus the market can experience with some stimulus coming from outside that distort the feature of a "closed and isolated" stock market. Indonesia has an inflation targeted policy. Although the inflation should move on the same track, it does not have a unique linear behavior by indicating that the economy has in general abundance resources. Since the major part of the shares is owned by the foreign investors, the exchange rate and the inflation rate patterns should also be considered. The market in Indonesia is still in a transition period because it is trying to cope with the global standards. The new standardization period is comprised of some new behavior investor perspectives where to reach the needed information it has become more difficult because the market policies have been not successfully. The companies not only have to collect info about the stock market but also about for the functioning of the economy.

Conclusions

The Efficient Market Hypothesis has been studies for more that two decades and on its theoretical bases is supported by many economists but in practice it is a false verdict. Especially the stock market has no incentive to accept this hypothesis because the prices fluctuated overtime without considering the information that is supposed to be attracted by the participants. This paper tried to conclude the evidence that the EHM has in the stock market especially in the developing countries. In the first part of this study it is explained the efficient market hypothesis and its methodology. Then based on the previously empirical researches, it is tried to make some reviews to show the role that with hypothesis has on the stock market. Lastly, it is developed an empirical study over indonesian market. According to all the investigations done, the weak form of the hypothesis (that the market reflects a set of the information available to the investors to predict future prices), is strongly rejected. The rejection states that the stock markets of the developing countries are inefficient by meaning that the prices fluctuate overtime without having a unique trend. The mostly used methods were the unit root test (especially that of the Augmented Dickey Fuller test) which try to investigate the significance of the level of the variables for the stock markets (where the most important test was to prove the volatility of the prices and its returns). The returns of securities and its prices did not follow a non-stationary trend. They deviate from the normality, so their distribution is violated and they are correlated serially with each other. The environment of stock market that the developing countries offers to the investors in not so reliable because of the instability of the economic situation that these countries have. The mal-functioning of the regulatory of the institutions for the stock markets make the information spread gradually deviating from its point. The economic and also political policy developments in the developing countries open or close new gates for investment opportunities. But by looking back into retrospective the figures of the stock markets are highly distorted due to the lack of organizational institutions and also due to the lack of technology (due to which the information it is not transmitted completely). On the other hands, in the last years the technological advancements have been occurred but still the prices of securities indexes have not pursue a normality path. The volatility of the prices happened due to the emerging of the markets in the global financial system has make the investors to deal more with the foreign exchange regimes which make the entrepreneurs suspecting and being afraid to react quickly to the market. The relevant informations in the market are not so reliable. Moreover the crucial aim of the investors is to maximize their profits so they do not care too much to transmit their acknowledgement to the public; moreover they try to find other illegal ways to increase their earnings. Thus the market by itself cannot adjust the set of the information available to the public because, by opposing the EHM, the stock market is not isolated from the economy as a whole. The inconsistency and inefficiency of the stock market due to macro and micro economic effects and due to the non-asymmetric behavior of the people make the Efficient Market Hypothesis be strongly rejected. To conclude in this paper it is emphasized the fact that the prices of today are not able to reflect all the information that is available to the public for evaluating or predicting the prices for tomorrow. Thus the efficient market hypothesis is strongly rejected especially for the stock market in the developing countries...

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Study the Role of Forensic Accounting in Detecting and Preventing Frauds or Scams in India through Different Techniques: A Review

Gulpas Asrar Ansari[1], Kaneeka Joshi[2]

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Abstract:

In present scenario, need of forensic accountant is increasing, as the financial crime is increasing day by day. According to the study, it is found that the uncontrolled financial scams in India is rising due to the lack of strict surveillance authority. Forensic Accounting is in a beginning state in India, which came to the knowledge due to rapid increase in white collar crimes. It is now being used in the sector of banks and insurance companies along with the police agencies. Forensic Accounting is the contribution of accounting, auditing and investigative skills. This study is a theoretical analysis, discussing about the role of forensic accountant in detecting and preventing financial frauds or scams which are taking place in India through different techniques such as Benford's law, Theory of Relative Size Factor (RSF), Data Mining Techniques and Ratio analysis. The present study is done by the available literature on forensic accounting and its applications.

Keywords: *Forensic Accounting, Financial Frauds, Scams, White Collar Crimes.*

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Introduction

Because of the excessive fraud committed in corporate sectors, forensic accounting and financial investigation is being focused nowadays (Bansal, 1). In accounting, forensic accounting is rapidly developing area as it is apprehensive with the detection and prevention of financial fraud and white collar criminal activities (Shaheen *et al.*, 171). A field which helps to identify the issues of prevention and investigation of white collar crimes is Forensic Accounting. It is very difficult to take severe or stern measures on fraud as it needs investment. There is substantial increase in white collar crime over the last two years as noted by the KPMG Fraud Survey. In Indian business, corruption is very common through which the business associates had been made the rule of greasing their hands. India ranks 81st most corrupted country in the world as per the report of global anticorruption watchdog (Moid, 24).

The art of recording, classifying and summarizing the money, transaction and events and interpreting the result in a significant manner is called accounting. The term forensic accounting is defined as the application of specialized knowledge and specific skills to identify unauthentic transactions, to gather, analyze and evaluate the evidence (Shaheen *et al*., 171) against the perpetrators of economic crimes that will be accepted by the court of jurisprudence.

For the purpose of assisting in legal matters, forensic accounting includes the use of accounting, auditing and investigative skills (Moid, 24). Nowadays different types of frauds are going on among which employee fraud, identity theft and cyber fraud are the most commonly used frauds. There are some types of frauds discussed below:

Types of Fraud

There are following types of frauds through which forensic accountant deals with.

1. **Bank Frauds:** In bank fraud, perpetrator uses, illegal means to obtain money, assets or other properties held by the bank or financial institutions.
2. **Corporate Fraud:** The unlawful gain or advantage of the perpetrating company by an illegal activity of an individual or company.
3. **Cyber Frauds:** A crime that involves computer or network either for committing the crime or making it target, is called as cyber frauds.
4. **Securities Fraud:** An ambiguous training in stock market to induce the investors for making purchase and sale on the basis of false information. It is also known as stock fraud and investment fraud.
5. **Identity Theft:** In this type of fraud, fraudsters uses someone's credit card or bank account for purchasing the items.
6. **Insurance Frauds:** Insurance sectors involves different types of frauds such as health insurance, claims fraud, false claims, insurance speculations, application fraud etc. (Shaheen *et al.*, 172, 173).
7. **Employee Fraud/Misappropriation of Assets:** This is the most common type of fraud deals with the stealing of cash or inventory, skimming revenues, payroll fraud and embezzlement. Fraudulent disbursements such as billing schemes, payroll schemes, expense refund schemes, check tampering, and cash register expenditure schemes are the primary examples of asset misappropriation.
8. **Financial Statement Fraud**: It includes unlawful activity such as manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared (Golden *et al.*, 5).

Role of Forensic Accountants under Indian Laws

Although there is no discussion about the Forensic Accountant in the Indian statutes, but in statutes 6, there are various provisions related to the Forensic Accountant/Auditors. It can be classified as follows:

1. **Investigation and Inspection:** The investigative authorities like Police, ACP and others may take helps from the forensic accountant in collecting the evidences and for other investigation purposes. For example section 157 Cr. P.C, 1973; section 17, 18 of the Prevention of Corruption Act, 1988; Section 6 of The Bankers Books

Evidence Act, 1891; Section 78 of Information Technology Act, 2000; Section 209A, 227 of the Companies Act, 1956

2. **Expert Opinion:** A skilled Forensic Accountant may carefully examine the accounts and balance sheets to find out the reality of the case that whether the fraud committed or not by giving his expert opinion. This finds place in for example s.45, s.118 of Indian Evidence Act, 1872; s.293 of Cr. P.C, 1973.

3. Forensic Accounting under Caro (The Companies Auditor's Report Order, 2003):

This includes disposal of fixed assets, report on frauds, and transactions with related parties etc.

<u>Scams in India</u>

Forensic accounting has been grab the attention after the rapid increase of white collar crime and also due to the perception about the Indian judicial law that it is not strict to expose the frauds or scams (Singh, Grewal and Singh, 2015). There are some scams took place are as follows:

Table 1 - Different Scams in India

Scandal	Year Reported	Scope	Key Players	Summary
Stamp Paper Scam	2005	Rs.600 Billion	Abdul Karim Telgi & his associates, Police Officers, Govt. Employees & Politicians	Counterfeiting of stamp papers. Selling fake to bulk purchasers like banks, insurance companies & stock broking firms. Sentenced to 30 years of rigorous imprisonment.
Satyam Scam	2009	Rs.14000 Crore	Ramalinga Raju & his Family, CFO & other top level management, Auditors & Board of Directors	Falsified revenues, margins and cash balance, operating profit artificially boosted from 61 crores to 649 crores,
2G Spectrum	2010	Rs. 1760 Billion	A Raja, MK Kanimozhi, Nira Radia, Many Telecom Cos	Irregularities in awarding spectrum licenses. License issued on first cum first serve basis instead of auction. Advancing of cutoff date which is illegal.
Common-Wealth Games	2010	Rs. 35000 Crores	Suresh Kalmadi & other Organizing Committee Members, 2 Private Companies & Govt. Officials	Allegations of corruptions and mismanagement by the organizing committee, delay in the construction of main venue leading to misuse of funds, infrastructural compromise, hefty payments made in the name of non-existing parties
Uttar Pradesh NRHM Scam	2010	Rs.10,000 Crores	Mayawati, Babu Singh Kushwaha	Top politicians and bureaucrats are alleged to have siphoned off a massive sum estimated at (US$1.6 billion) from the National Rural Health Mission, a central government program meant

				to improve health care delivery in rural areas.
Adarsh Housing Society Scam	2010	Not known yet	Top Army Officials, IAS Officers, Politicians & Legislators	Originally meant to be a six storey structure to house Kargil war heroes and widows, got converted into a 31-storey and allotted to bureaucrats, top defence officers, a former environment minister and legislators. The market rate was 6-8.5 crores & was allotted at a throw away price of 60-85 lakhs. Violations in environment rules.
Indian Coal Allocation Scam	2012	Rs. 1.86 Lakh Crore	Comptroller and Auditor general of India, the coal Ministry, many electric boards & private companies	Coal blocks allotted, not auctioned, leading to estimated losses as per the Comptroller and Auditor General of India.
VVIP Chopper Deal Scam	2013	Rs. 362 Crores	Augusta Westland Company, Former IAF Chief SP Tyagi & his Cousins, Politicians, Govt. Officials & Several Middlemen.	It has been alleged that former IAF chief has accepted bribes to win contract worth Rs. 36 billion.

There is a major role played by the forensic accounting in solving all the pre mentioned fraud/scam cases using different techniques of forensic accounting. There are some techniques used in solving the financial crimes are as follows.

Techniques used in Forensic Accounting

In this developing world, technologies used by the criminals and fraudsters are also developing constantly. Therefore, to prevent and detect these fraud forensic accounting must need to be more advanced in technology. There are some of the forensic accounting techniques discussed below for examining the frauds (Shaheen *et al.*, 176).

1. Benford's Law:

It is the mathematical tool to determine whether the variable under examination is unintentional error or result of frauds (Moid, 28). It is the frequency distribution of digits in many real life sources of data. In this frequency distribution, 1 is the leading digit about 30% of the time whereas 9 is the first digit which is less than 5% of the time (Shaheen, 176). This law is helpful when there is no supporting document to prove the authenticity of the transactions as it is not affected by scale invariance (Moid, 29).

2. Theory of Relative Size Factor (RSF):

The unusual errors or fluctuations of transactions, which may be routed from fraud or genuine errors is identified by this technique. RSF can be measure as the ratio of largest number and second largest number in the given set. It helps in better detection of differences or outlines (Shaheen *et al.* 176).

3. Data Mining Techniques:

It is a set of supported techniques intended to automatically mine large volumes of data for new, hidden or unexpected information of patterns. This technique can be classifies in three ways which are discovery, predictive modeling and deviation and link analysis.

4. Ratio Analysis:

It is the calculation of data analysis ratios for key numeric fields. There are three commonly employed ratios are:

- **a.** Ratio of the highest value to the lowest value
- **b.** Ratio of highest value to second highest value
- **c.** Ratio of current year to previous year

Using the ratio of analysis, forensic accountant can examine the relationship between costs and some measures of production. This technique helps a forensic accountant to estimate the expenditures (Moid, 29).

REVIEW OF LITERATURE

Shaheen *et al.*, (2014) discussed about the forensic accounting and fraud examination in India, stated that forensic accounting is being used as an investigative tool rather than the preventive tool and also said that scams can be restricted if the forensic auditing is mandatory in various financial sectors.

Olajide, (2014) noted that there is need of the application of forensic accounting in detecting and preventing the cases of corruption. It was also noted that the basic need of fighting corruption i.e. teaching of forensic accounting is not established.

Azih and Okoli, (2015) studied on the uses of forensic accounting and basic skills needed for the use of forensic accounting in public sectors of Nigeria and said that the significance of forensic accounting is vital for the detection of fraud in every organiztions. In the conflict of high level of corruption in both public and private sectors, it is the authentic tool.

Singh, Grewal and Singh, (2015) stated that there is need of plenty of knowledge about the forensic accounting and also recommended that the courses related to the forensic accounting must be started in universities for making the students as expert of detecting and preventing the fraud and corruption.

Moid, (2016) observed that the financial scams in India are uncontrolled due to the lack of stringent surveillance authority. She also learned about the substantial losses in India due to the rapid rise in white collar crime in India and about the belief that our law enforcement agencies do not have sufficient expertise and sufficient time to reveal frauds.

Bassey *et al.*, (2017) worked on the effect of forensic accounting and litigation support on fraud detection of banks in Nigeria and found out that the fraudulent activity in Nigerian companies was actual and was increasing rapidly. They also found that the forensic accounting is not much more significant in detecting fraud due to which they suggested some recommendations like management and shareholders should be educated on the usefulness of the services of forensic accountants and Nigeria legal system should be supported to lend reliability or confidence in their legal systems.

Bansal, (2017) stated that the establishment of the professional practices in trend in the areas of forensic accounting and fraud detection is needed. The study proceeds to fill the research gap by identifying it, with survey and analysis. Based on the opinions of professionals, the survey hypothesis was created.

Lama and Chaudhuri, (2018) stated that the forensic accounting is best growing area of accounting that gives the chance of success in corporate sector by improving the role of corporate governance and also helps in formulation and establishment of the efficient control system.

Conclusion

The present study is on the role of forensic accounting in detecting and preventing frauds or scams in India through different techniques. As the crimes or frauds are committing and increasing day by day, there are various techniques discussed here in this review study for the detection and prevention of fraud. The practice and development of forensic accounting is very less in developing countries like India than the other developed countries till date. It is concluded that there is a need of advancement in the field of technologies to detect and prevent the frauds.

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Role of Financial Inclusion in the Development of Economic Growth: A Review

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Abstract:

India has become the world 6th country which has the largest economy on the basis of GDP data, which is approximately 7.2% in January, 2018. Still, in India, a large population live in the rural areas and have low income which is not even sufficient to survive. To overcome with this problem, the Government of India (GOI) launched a programme of financial inclusion. It plays a very vital role in developing the economic growth of the country by reducing the poverty from the country. The main aim of financial inclusion is to provide the financial services to all common people in fair, transparent and equitable manner at reasonable cost. Still many people are there, who are unable to avail the benefits of financial inclusion due to lack of awareness, lack of financial literacy and many other factors. In this paper, a review study has been done on development of economy growth of the country and poverty reduction using financial inclusion programme.

Keywords: *Financial Inclusion, Financial Services, Economy*

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Introduction

In India, around 50% population are below the poverty line because of the high population growth, due to which the achievement of sustainable development is difficult. To overcome from this problem, Government of India (GIO) launched different programs such as Sukanya Samriddhi Yojna, Financial Inclusion Program, Rashtriya Swasthya Bima Yojana etc. But it is necessary to involve the large number of people from all sections of the society. In these programs, financial inclusion is one of the important program through which poor, disadvantaged and underprivileged group can access to the financial services.

According to the Planning Commission (2009), '*Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products*' (Singh *et al.*, 2014).

From many years, Financial Inclusion Programs are continuously attracting the global attention in the development of financial growth because of its ability to drive the growth and sustainability of an economy. It is observed that many people are excluded from the financial service due to which there is a loss of deposits or savings, loss of investible funds and related loss of capacity of the global economy to generate wealth (Adetiloye, Erin and Modebe, 2017).

Factors Affecting access to Financial Services

The process of providing the bank services like saving account, insurance product and credit facility to low income people of the society is the main objective of the financial inclusion program. But access to the financial services is limited due to multiple factors which are followed as:

- **Living Area:** Generally, most of the banks are operated only in commercial areas. While large population live in the rural areas who find difficulty to access the financial services.

- **Absence of Legal Identity and Gender Biasness:** Due to the lack of the legal identities such as original birth certificates and identity cards exclude many people (minorities, economic and political migrants, refugee workers and woman) from the accessing of financial services.

- **Limited Knowledge of Financial Facilities:** In order to access various financial services, incomplete basic education and financial literacy are the major problems to an individual. They are unaware from the significance of financial products like bank accounts, check facility, bank loan or overdraft and insurance. With the complete and proper financial knowledge, many financial products can be used by different economic agents like Business Correspondents, NGOs and MFIs and etc.

- **Low Income and Bank Charges:** People's financial status plays a crucial role in accessing the financial services. But this is impossible for poor people to access the financial services even financial inclusion program is made for the low income group. One of the reasons is the bank charges. Banks have a lot of hidden charges which demoralize poor people to access the financial services.

- **Type of Occupation:** What is the occupation of an individual is also a main factor in accessing the financial services. People may have a small scale, large scale, organized or unorganized businesses. Many banks deny or refuge the small borrowers and unorganized business people to give the loans and hence loan application is rejected (Iqbal and Sami, 2017).

These factors are the barriers for the rural as well as urban peoples to access the financial services. Due to these barriers, the focus of financial inclusion is in confined area. Poor people are restricted to access the financial services due to the low income while people (Affluent Customers) who are easily able to access the financial services, are hesitated because of the security concern (Sundaram and Sriram, 1575).

The financial services show less penetration in rural areas of India. The factors is responsible for these barriers that can be seen from both supply side and demand side aspects.

- Low income level and lack of financial literacy may be the reason for low demand of financial services.

- In case of supply side, there may be no bank branch in the locality (Singh *et al*, 2014).

So, Government of India and Reserve Bank of India (RBI) put efforts to increase the financial inclusion. Different programs of financial inclusion are developed by the Government of India and Reserve Bank of India. These program are Jan Dhan Yojna and Pradhan Mantri Suraksha Bima Yojna, are the programs for the life insurance term plan. Pradhan Mantri Jeevan Jyoti Bima Yojana is a program as an accidental insurance plan while Atal Pension Yojna is applied as benefit pension product. These are the new initiative under financial inclusion. These financial programs ensure to access the financial services and products by the low income people at affordable cost (Johia, 2017). The review of this paper is based on the importance of financial inclusion to develop the economic growth and factors prohibit the people to access the financial services, discussed by different researcher (Sundaram and Sriram, 1575).

Review of Literature

Paramasivan and Ganeshkumar (2013) stated that only literacy and awareness are not enough to increase the level of financial inclusion in India. Investment opportunity must be significantly improved in an India.

According to Mittal and Shukla (2014) financial inclusion are emerged all over in India but exclusion is seen in the rural area where poorer section are unable to access to the financial services. There is need to modify the financial services by creating an appropriate credit delivery system to achieve greater inclusion.

Deepak and Praksh (2014) carried out the result as there is one way to develop the India in which poverty and financially illiterate are brought to the financial services by the RBI and Governments through new policies and schemes.

Avais (2014) discussed the problem of the rural peoples as the financial inclusion is like a dream for them because of the large gap between demand and supply process of financial service and the common people. he gave some steps like micro credit cards, Islamic microfinance and opening of more microfinance branches at village level by which people can aware with benefits of financial services.

Mol TP (2014) gave an idea that more participation of people in the economic and social process can lead to the increase in the economic growth. RBI and Information and communication technology are taking various steps to improve and strengthen the financial inclusion for the unbanked people.

Shah and Dubhashi (2015) proposed that there is need of holistic approach for the bank to increase the awareness about the financial services, give adequate financial advice to the financial exclusive population. And the specific strategies should be developed by the bank to expend their services for the financial exclusion promotion which can be achieved by the linkage with the NGOs, local communities and microfinance institution.

Gomathy M, (2015) concluded that financial inclusion of unbanked society can be enhanced by formulating specific plans with the strategies for the reduction of transection cost by which people will actively participate in the process of financial inclusion.

According to Sundaram and Sriram, (**2016**), to bring changes in the financial system overnight is not possible for the bank and concerned authorities. Bank can go in the bottom of the pyramid section by optimum plan and speedy action but profitable proportion’s possibility will be in higher volume and beneficiary’s number will increase.

Thyagarajan and Nair, 2016 gave a suggestion about to increase the economy of the country by the help of bank process in financial inclusion. Different methods like registration of mobile number and linkage of account with the Aadhaar are necessary for the alertness about the financial services.

William, Adegoke and Dare, (2017) In their research they used a log linear model specification method to find the role of financial inclusion in economic growth and poverty reduction and concluded that financial inclusion is not stable effectively for the finance and market support in the development of economy for the reduction of poverty. On the other side, it may solve the many uncertainty problems, transection cost and information problems related to agriculture products and give more efficient allocation of investment that will encourage economy growth and reduce poverty.

Sachdeva *et al.* (2018) analyzed on the basis of their study and concluded that Government of India launched many scheme in which more than 60% population are involved and they are realized by the financial inclusion, their financial health has been improved. But some population do not feel comfortable with net banking and credit cards.

Sujalana and Kiran (2018) stated that financial services should be provided in rural areas for the economy growth by which rural household can fund the growth of their livelihood. By the efforts of Governments, new emerging technology are playing a vital role in the financial inclusion program. ATMs, Immediate Payment Service (IMPS) and Mobile Banking are being used by the number of peoples.

Rajasekaran (2018) discussed the solution of legal identity to open the account in bank by using Aadhaar Card as a legal document. But lack of financial literacy and low income, large population is excluded from the financial services.

Conclusion

Financial inclusion programme plays an effective role to develop the economic growth by reducing the poverty. Government of India (GOI) and RBI launched many financial programs by which people are able to access the financial services and improve their financial health. But still some factors are affecting to access the financial services such as Lack of financial literacy, legal identity etc. In recent days, GOI are trying to overcome from the barrier by using Aadhaar Card as a legal proof and opening the micro-branches of banks in rural areas. So, we can concluded that financial inclusion programme is more useful to develop the economy of country and help in reducing the poverty from the country.

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Comparative Study of Taxation Structure of India with BRICS Countries

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Abstract:

The economic progress of a country is directly depend upon the taxation system of the country. The BRICS members are all developing or newly industrialized countries, but they are distinguished by their large, fast-growing economies and significant influence on regional and global affairs. The high rate growth of China, India, and Russia increase the importance of BRICS countries to the Global economy. On the other side, the implementation of GST in India shows altered impact on Indian economy. In the present paper, an attempt has been made to study the taxation structure of India by comparing it with other Brazil, Russia, China and South Africa (BRICS) countries. The parameters like GDP Ratio, Total Tax Rates, No of Tax Payments, Time to Comply Taxes and Ease of doing Business are calculated for comparing BRICS countries tax structures with India. In this we compare Indian tax system with other BRICS countries to analyze the strengths and weaknesses.

***KEYWORDS**: BRICS, Tax System, GDP, Comparison of Tax Structures.*

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Introduction

"It was only for the good 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" – Kalidas

The word "Tax" Originates from "Taxation" which means an estimate. In the words of Dalton, tax is defined as *"a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the tax payer in return and not imposed as a penalty for any legal offence* (Jaiswal, 1). For the taxpayer the meaning of tax is different from its legal interpretation or a financial burden as it contains outflow of cash but for the government, it is an important mechanism of raising revenues in which an element of sacrifice involves without deliberating any direct benefit or return to tax payers.

Tax policies play an important role on countries growth and development. For collecting the taxes from public, taxation structure is made in which rules and laws are set up by particular individual country (Ghuge and Katdare, 2016). In taxation system, Complex system limits the growth of country and responsible for hindering the ease of doing business. On the other side, simplified tax system has resulted in simplifying the ease of doing business as well as growth and development of that particular country.

India is one of the largest developing economies in the world. The *One Hundred and First Amendment* of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 April 2017. It is a well-structured and simplified taxation system where an authoritative isolation has been done among the central government, state governments as well as local bodies.

For analyze the Indian tax structure's strength and weaknesses, we compare the Indian tax structure with other BRICS countries tax system (Ghuge, Katdare, 2016). As BRICS is an association of five major emerging national economies: Brazil, Russia, India, China and South Africa. The BRICS members are all developing or newly industrialized countries, but they are distinguished by their large, fast-growing economies and significant influence on regional and global affairs (Jaiswal, 2016). At present, BRICS countries represent approximately 3 billion people, which is around 42% of world's total population of about 7.074 billion and hold about 27.3% of combined GDP of the world with China on top (US$ 12,269 billion) followed by India (US$ 4793 billion), Russia (US$ 3373 billion), Brazil (US$ 2365 billion) and South Africa (US$ 586 billion).

Review of Literature

Alpna Yadav, (2017) in her working paper Impact of Goods and Services Tax on Indian Economy concluded that after implementation of GST Indian economy shows a major change in the taxation system which will solve the problem of complexity of tax system By the implementation of GST cost of manufacturing of goods will reduce. The GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set off. Service tax set off and subsuming the several taxes. GST is likely to improve tax collection and Boost India's economic development.

Ravi. M. V., (2016) in his working paper on A comparative study of Indian tax policy with BRICS countries tax policy concluded that in BRICS countries China and Brazil is attracting more FDI by reducing their tax rates, Zero tax Policy, Tax Incentives, Subsidies, and speedup the policy implementation. If India follows the same structure then all these Tax Revenue, FDI, GDP, Employments, Investments, Exports will definitely increase which will in turn leads to Economic Development of the nation.

Ghuge and Katdare, (2016) stated that Indian tax structure lags behind in almost every indicator like tax to GDP ratio, total tax percentage etc. A Comparative Study of Tax Structure of India with respect to some other countries shows that there is a strong requirement for simplifying the taxation system. As countries economic progress is hugely depend upon the type of taxation system.

CBGA-India, (2015) concluded that the progressivity of the tax structure in India is far below the international levels. They stated that the country needs to increase its tax-GDP ratio for adequate resource mobilization which raised questions on tax administration in India and also raised questions on number of tax exemptions given in India and stated that there is a need to reassess India's tax system.

Anna Voronkova, (2015) in his research BRICS organization: comparison of the countries' economies and geopolitical influence, potential development concluded that the main reasons for BRICS countries to join into this international organization and to suggest the potential development of BRICS countries and compare the current, economic and political performance of BRICS countries. It found out that BRICS group has achieved tremendous growth rates during the past two decades and has enormous economic potential.

Research Methodology

The impressive economy performance of BRICS countries shows the potential of high growth in the future. The taxation structure is compared by drawing comparative charts for all BRICS countries that will help to understand the performance of all BRICS countries with respect to all key indicators.

Data is collected from sources like Magazines, Research Papers published in International and National Journals, Reports published by Ministry of Commerce and Ministry of Finance, World Data Bank, Reports published by international financial organizations, Websites and Newspapers etc.

Overview of Taxation in BRICS Countries

1. Brazil:

It is the 5th largest country in the world in terms of area as well as in population. It is one of the leading economy and largest country in South America. In Brazil, the main directives for taxation are provided by federal constitution which establishes the general principles of taxation, the limitations on the power to tax, tax competence across levels of government as well as tax revenue sharing provisions. In 2016 Brazil counts 92 different kinds of taxes and the government is trying to approve another two type of taxes (a tax over big fortunes and a financial transaction tax over banking accounts). With too many taxes the legislation system of Brazil also suffers number of changes in short period.

2. Russia:

It is the world's largest country in terms of land area and has rank 9th in population. In BRICS, Russia has an important place and on other side, Russia gained the position of non- western political and economic power.

The tax legislation of Russia was based on the laws enacted in the last years of the Soviet Union. The tax system during 1992-1998 was decentralized which was not beneficial for the economy. Therefore, in 1995, Boris Yeltin proposed to recentralize the tax system through a Tax Code**,** replaced the previous numerous and diverse legal acts governing taxation, and optimized the structure of taxes. In beginning there are more than fifty taxes, only fourteen taxes remain currently applicable.

3. India:

It is one of the largest developing economies in the world. It is the 10th largest country in terms of GDP. From July 1, 1860, the income tax was introduced in India as a temporary measure to meet a financial emergency attendant upon the first war of independence in 1858. In 1922, the Income Tax Act was passed that combined all the previous acts. The landmark in the history of Indian income tax system was 1922 Act which was further replaced by the Income Tax Act, 1961, and is a comprehensive legislation. It brought changes in all aspects of income taxation, i.e. administration, procedure of assessment, and compliance to curb tax evasion. Then the One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 April 2017. The GST implementation in India is Dual in nature. An imposing isolation has been done among the Central Government, the different State Governments as well as the Local Bodies. The Department of Revenue under the Government of India's Ministry of Finance is solely responsible for the computation of tax. This department levy taxes on individuals or organizations for income, customs duties, service tax and central excise. However, the agriculture based income taxes are levied by the respective State Governments. Local bodies got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others.

4. China:

China, a communist nation in East Asia, is the world's most populated country. Tax is an important element of the macroeconomic policy of china and has a high impact on socio-economic conditions in china. After the Communist Party formed government in 1949, China initiated a socialist reconstruction of the economy.

From 1956 to 1978, a strict Soviet-type command economy was practiced and the private sector almost vanished. In 1978, a new economic policy was framed which introduced a two track system- foreign track and domestic track. From the reforms in 1994, China has a well-structured taxation system. There are currently 26 types of taxes in china which are further divided into 8 categories according to their nature.

5. South Africa:

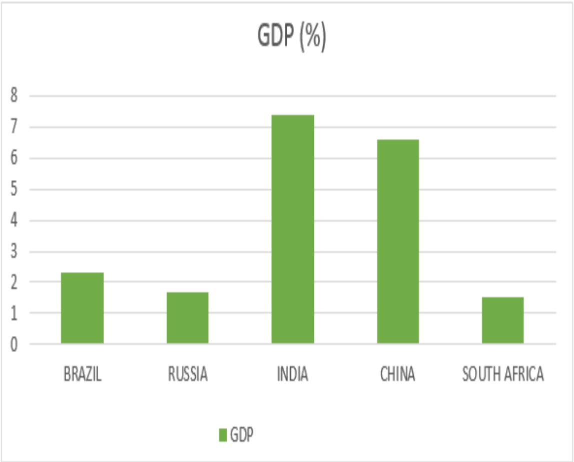
South Africa has a progressive income taxation system which is based on the premise that the wealthy should contribute a greater proportion towards supporting the

State than the poor. According to South Africa law all employers have to register all employees as taxpayers regardless of their tax liability. The tax system of South Africa taxed at two levels which is central government and local government. Tax in South Africa was introduced in 1914 with the introduction of the Income Tax Act No 28, an act that had its origins in the New South Wales Act of 1895. The act has gone through numerous amendments with the act presently in force is the Income Tax Act No 58 of 1962 which contains provisions for four different types of income tax which are Normal tax, Donations tax, Secondary tax on companies and withholding tax.

South African revenue services (SARS) acts on behalf of state government for the collection of taxes, central government collects Income tax, Corporate Tax, Vat and fuel duty whereas local government collect municipal rates and funds from central government.

Data analysis and Interpretation

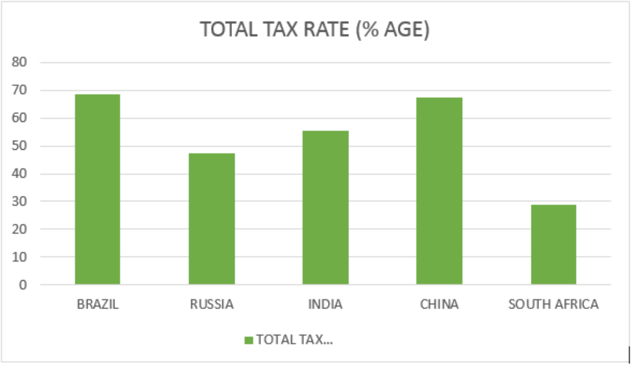
1. Gross Domestic Product (GDP)



Source: IMF Data Mapper

GDP is a very strong measure to check the economic health of a country. It is the sum of total production of a country and as such comprises all purchases of goods and services produced by a country and services used by individuals, firms, foreigners and the governing bodies. The Gross Domestic Product in the country like India is experiencing a faster rate of growth in the recent years. The GDP of India is high among all BRICS country which shows a positive side of economic growth.

2. Total Tax Rate

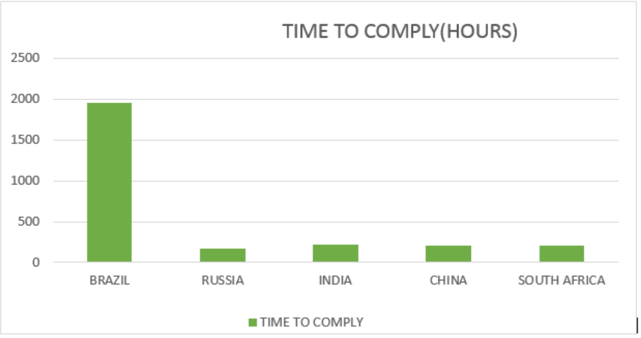


Source: PWC Paying Ranking 2018

Total tax rate measures the amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits.

The total tax rate of India is quite high if we compare with other BRICS Countries. On the other side China and Brazil exceeds India's total tax rate amongst the BRICS countries. These raise severe concerns to overall Indian Tax Policy and Administration**.**

3. Time to Comply

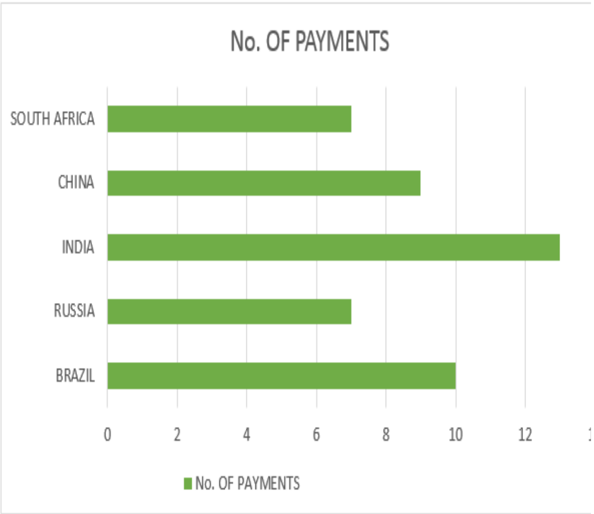


Source: PWC Paying Ranking 2018

Time to comply is the time to prepare and pay taxes in hours per year, it takes to prepare, file, and pay (or withhold). Taxes and contributions measure the profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees including payroll taxes and social security contributions. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores for paying taxes

Total time taken for tax compliances in India is also high as compared to other BRICS countries except Brazil. India needs to reduce down its tax compliance time at the levels of developed countries in order to attract more businesses in India.

4. No. of Payments



Source: PWC Paying Ranking 2018

Tax payments by businesses are the total number of taxes paid by businesses, including electronic filing. The tax is counted as paid once a year even if payments are more frequent.

India lags behind very much when compared against this indicator. India has a huge number of tax payments i.e 13. Whereas all other countries selected in the sample are quite ahead with relatively very less no of tax payments.

India needs to cut down on certain number of taxes or club them. Recent happenings to bring GST to replace most of the indirect taxes is one of the positive step towards clubbing of taxes. Reduction in no of payments of taxes will also reduce time for compliances of the taxes.

5. Ease of doing Business

Country	Rank Secured in Ease of doing Business Among 188 Countries
Brazil	125
Russia	35
India	100
China	78
South Africa	82

Source: World Data Bank

Tax has a greater impact on doing business. More is the tax policy simplified, higher is the ease of doing Business. More is the tax policy complex, lower is the ease of doing business.

This above effect can be seen here. India ranks 100 in ease of doing business in India amongst 188 countries. The other countries except Brazil in the BRICS countries are very ahead of India in this rankings.

Conclusion

After comparing India with the other BRICS countries on this 5 criteria, it is seen that Indian tax structure lags behind on some indicator. But impression of GST on Indian economy is quite appreciative. Which shows direct impact on GDP. A uniform and rational taxation system in India would lead to lesser disruptions in the market economy and more efficient distribution of resources within the industry. All BRICS members have their unique strength and characteristics. The Indian economy is positioned on a high growth trajectory, with drastic reforms such as demonetization and Goods and Services Tax reform (GST) considering standard growth. The growth outlook in South Africa remains unresponsive. The Brazilian economy is leaving recession strongly on a disinflationary trend, with fiscal outlook and election biggest uncertainty.

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Impact of Reliance Jio on Indian Telecom Industry

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Abstract:

Indian mobile industry is one of the fastest growing industries in the world. Currently, India is the world's second largest telecommunication market and still growing. The mobile economy of India is growing rapidly and will contribute significantly to India's Gross Domestic Product (GDP). Reliance Jio's free tsunami creates lot of essential and unexpected changes in consumer's behaviors and competitor's strategies. Reliance Jio gave a big surprise to Indian telecom industry, schemes like free internet, free calling, and 4g network provide a serious threat to others and emerges as a new choice for the users. The other service providers face a new kind of challenge and find difficult to manage up with new circumstances. This review paper discusses the present trends in the Indian Telecom Industry and impact of Jio on competitive strategies of opponents in the industry

***KEYWORDS**: BRICS, Tax system, GDP, Comparison of tax structures.*

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Introduction

The backbone of fast growing Indian economic scenario of this decade is the Indian telecommunications sector. Telecom sector is one of the most developing and profitable industries of the world. Different forms of communication media such as smart phones, internet, Wi-Fi are distributed in communication industry which creates significant changes in the minds set of consumers, business entities, legal frame work, ideologies of entrepreneurs, philosophy of the government's policies and procedures. Indian telecommunication market is currently the world's second largest telecommunication market with a subscriber base of 1.19 billion. The mobile economy of India is growing rapidly and will contribute significantly to India's Gross Domestic Product (GDP), according to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). India is expected to have over 180 million smartphones by 2019, contributing around 13.5 per cent to the global smartphone market, based on rising affordability and better availability of data services among other factors.

The base of telecom subscriber expands substantively in India. The Indian market is targeted with mobile device manufacturer, mobile service provider, foreign investment etc. The liberal and reformist policies of the Government of India have been contributory along with strong consumer demand in the rapid growth in the Indian telecom sector. The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The Indian regulatory authorities are also likely to face new challenges from these new trends and keep their commitments for providing a quality service, doing so transparently and responsibly. On the other side telecom operators continue to focus on providing a high quality, consistent network experience offering the speeds and coverage expected by customers. In this current scenario the market is full of alternatives to the customer to choose either mobile devices or service provider.

Industry Overview

1. Idea Cellular

Idea Cellular is an Aditya Birla Group Company founded in the year 1995. Idea is one of the top three mobile operators in India, with an annual revenue in excess of USD 5 billion and a revenue market share of 19%. Idea's pan-India network of over 2.7 lakh cell sites covers over 400,000 towns and villages. The Idea has gone far ahead of the major competitors and occupying incremental revenue market share of 33% from last three years. Idea offers 3G and 4Gs LTE services on its own spectrum auction in 13 circles of telecom service areas and 340 towns in all over the India. Idea strengthened its customer base after launching mobile number portability it has 191 million subscribers, Rs.354 Billion (US$5.3 billion) Revenue and Net income is Rs.31.92 billion(US$470million) for the year ending 31st 2016. With nearly 200 million subscribers, Idea ranks sixth in the global rankings of operators in subscriber terms, for single country operations. In January, 2017 it was announced that Idea talks to merge with Vodafone in Indian operations.

2. Vodafone

It is a British based multinational telecommunications company.it was established in the year 1991. It started actions in 1994 when its predecessor Hutchison Telecom acquired the cellular license for Mumbai. Brand Vodafone was launched in India in September 2007, after Vodafone Plc. acquired a majority stake in Hutchinson Essar in May 2007. It is now ranked in world second largest mobile operator in number of connections. It owns and operates networks in 76 countries and also IT services to corporate clients in 150 countries. It has been expands its operations across the country over all 22 telecom circles and service to 203 million Indian customers. The free price war of Reliance Jio's impact results accumulates continuous loss doubled to $5.5 billion from last two quarters of 2016. On 20 March 2017, Vodafone announced that it was merging its Indian business with Idea, India's third-largest network.

3. Airtel

Sunil Mittal was founded Airtel in the year 1995. Bharti Airtel Limited is a leading global telecommunications company with operations in 20 countries across Asia and Africa. The company ranks amongst the top 4 mobile service providers globally in terms of subscribers. Airtel was named India's second most value brand in the first ever ranking by "Milliward Brown and WPP plc." Airtel is credited with pioneering the business strategy of out sourcing all of its business operations with minute factory model of low cost and high volumes. Its strategy has since been adopted by several operators. The transmission towers are maintained by subsidiaries of Bharti group. Airtel served first time low call rates in India. The revenue of Rs. R966.021 billion, EBIT is Rs.341 with net profit of Rs.54 billion for the year ending 2016.The Jio's trump have stung Airtel which reported a 55% fall in third –quarter net profit to

Rs.504 crore.in 2016. It is the big moment to make restructuring it strategies to compete the market leader with Telenor.

4. Reliance Jio

The Reliance has given a new alternative to the customers in the name of “JIO”. Reliance JioInfocomm Limited (RJIL) previously known as Infotel Broadband, is a broadband service provider which gained 4G licenses for operating across India. Mukesh Dhirubhai Ambani, is the chairman and MD of Reliance JioInfocomm. The Reliance Company commercially launched its services on 5 September 2016. Jio crossed 100 million subscribers end of February 2017. This is the fastest ramp-up by any mobile network operator anywhere in the world. According to sources, Jio - setting a new record - has acquired 1,000 customers per minute (since September 05) and 6 lakh per day. Jio continues to be the fastest growing company in the world and has crossed 50 million subscribers in record 83 days. Jio owns spectrum in 800 MHz and 1,800 MHz bands in 10 and 6 circles, respectively, of the total 22 circles in the country, and also owns pan-India licensed 2,300 MHz spectrum. Reliance communications owns and operates the world’s largest next generation IP enabled connectivity infrastructure which comprises 2,80,000 kilometers of fiber optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. . RJIL is setting up reliance (4th generation) high speed internet connectivity, rich communication services and various digital services on pan India with the basis in key domains such as education, healthcare, security, financial services, government citizen interfaces and entertainment.

The entry of Reliance JIO has forced giants like Airtel, Vodafone, Idea service providers to cut off their plans. For the last 6 months, 7 customers per second of every day subscribing to JIO. The market leader Airtel has 26 crore 4 lakhs subscribers which was founded in the year 1995.

Review of Literature

Pritish and Saxena (2015), overall socioeconomic development of India is contributed significantly by Indian Telecom Industry and it is an essential tool for growth of nation. Growth of industry is increased by the various telecom service providers whose bring the offer for voice and data services to the customers across different regions of the country.

Kalyani (2016), in this review paper, collected data and facts are very clear that market is effected by “Reliance Jio Effect”. 15-25 years of age individual, having more end mobile devices for communicating and entertaining purpose. They are using smartphone for the purpose of online purchase, gaming, instant messaging etc. and using for “free” voice and data Reliance has targeted the same. In worldwide area, reliance jio connection in very short span of time frame and don’t have the roaming data from one vendor to other vendor.

Boobalan and Jayaraman (2017): The service provided by Jio customers are satisfactory as customer is the backbone of the company treating the customers as a friend is one of the best way to attract them and make them always come back. It will help in building strong businesses relationship. In this study it is found that there is a significant relationship between income and satisfaction and there is no significant relationship between age and awareness level.

Haq (2017): Internet startups by more customers that have means is more internet users. Jio marketing approach is pretty simple that attract the customers or users by free-calls and cheap data. It should not be difficult for convenience to user to use more and more data because user habit is formed. Jio break the record and drop the rates of other data and competition will drive with Idea, Airtel and others. In all over country, jio is going to be an explosion of new data users in next few years.

Mahalaxmi and Kumar N (2017) studied on a particular geographical region and concluded that Jio services are same to all in spite of the people monthly income. The services provided by the Jio tariff like mobile data and free calling were able to convince the students. In future, competitors (other network services) can fluctuate the market by giving the competitive policies. Jio network support only in the 4G handset, not in 3G handset. If their offer will be for the 3G handset then Jio would be in high rate. This study was made on a particular region. So, accurate result cannot be obtained. Future scope of Jio network, will face the competition by more innovative marketing strategies.

Priya and Sathiya (2017), in this study, measuring the level of preference and satisfaction of Jio customer and improving their network coverage and to wipe out the calling congestion by Reliance Jio Company that is recommends by researcher. By the comments of customers, Company can accomplish the 100% satisfaction and also customers might not be switch over to other network that will create willingness for company.

Satyanarayana, Rao and Naidu (2017) proposed that the consumer’s behavior and competitors’ strategies has been changed racially and unexpectedly by the introduction of Reliance Jio’s free. After providing the services, other mobile networks are facing problems. To compete with Jio, there is need to make strategies and to strengthen themselves in the industry.

Conclusion

India market is the world's 2nd biggest telecom market and provides business and job opportunities to the people which will help in increasing the GDP of the country. On other side, Reliance Jio is creating the most extensive and future-proof network in India. It will provide next generation legacy-free digital services over an end-to-end all-IP network, which can be flawlessly upgraded even to 5G and beyond. Jio's Mobile data services convinced most of the students to prefer this network. For small companies it is difficult in the industry to make a significant market share. The only option to become stronger to compete with Jio is to make strategic groupings with other competitors. In near future the competitors can again fluctuate the market by proving competitive strategies.

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Legal Acceptance of Bitcoin in India: A Review

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Abstract:

Cryptocurrency is the digital or virtual currency, which uses encryption techniques to regulate the generation of units of currency. In numerous type of cryptocurrency, Bitcoin is the most popular one and is also known as first decentralized virtual currency. It provides a solution to double spending problem without interference of third party. Still the increasing trend of bitcoin has come under government's eyes and according to our current finance minister it is more like any other Ponzi scheme, which is presumed to cause real and heightened risk of investment bubble and is thought to give rise to sudden and prolonged crash exposing investor. And hence, is constrained of use in India.

Legal status of bitcoins vary from country to country. Some countries like Australia, Canada and Germany, have legalized its use as earned income as per rule of bitcoin but in other countries, it is used illegally or in non-uniformity in the legalization. In this review paper, we focus on legality and regulatory framework of bitcoin in India.

Keywords: *Cryptocurrency, Bitcoin, Decentralized, Legalized*

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Introduction

Cryptocurrency is a digital currency that is designed to be secure and aids for increasing the rates of payment system (Mohod, Mannarwar and Badukale, 2018; Andrianto and Diputra, 2018). Commonly known as virtual currency or digital currency which is associated with internet that uses the cryptography process. Cryptocurrency secures the information, communications and money online (Mohod, Mannarwar and Badukale, 2018). It depends on the Blockchain which is a digital bookkeeping system. Cryptocurrency contains several kinds of currency in which most common are Bitcoin, Litecoin, Ripple, Ethereum, New Economy Movement (NEM) and many more. Below is the table showing different kinds of cryptocurrency with its symbol: (Andrianto and Diputra, 2018).

Table 1 – Different kinds of Cryptocurrency with its Symbol

Name	Symbol
Bitcoin	BTC
Ethereum	ETH
Ripple	XRP
Litecoin	LTC
New Economy Movement	NEM
Bitcoin Cash	BCH
Stellar	XLM

In numerous type of currencies, Bitcoin is most popular currency that contains worldwide payment system. It is commonly known as digital currency or decentralized digital currency that is introduced by Santoshi Nakamoto in 2009 (Mohod, Mannarwar and Badukale, 2018). For managing the creation or flow of money, it does not depend on any central services (Kumar, 2018).

There are three primary ways to obtain bitcoin:

i. Mining new ones

ii. Buying on an exchange

iii. Accepting them for goods and services (Tamradaman and Nagpure, 2017)

Balance is kept only into the public wallet in the cloud because bitcoin are not physically present. By using the massive amount of computing power, all bitcoin transaction is verified. A personal database that is stored into the computer drive, smartphone, and tablet or somewhere in the cloud called wallet and it can be transfer form one personal wallet to another wallet (Mohod, Mannarwar and Badukale, 2018).

Bitcoin in India

Day by day, bitcoin demand is increase in India and people understand the power or advantages that these decentralized virtual currency can offer. Indian currency possess some rules and regulation so if bitcoin is consider in India then all those rules and regulation are applicable to bitcoin also. RBI control all the rules and regulation in India.

According to Article 246 as per Indian constitution, list of all activities that are legislate by central and state government. According to entry 36 and 46 of list I of the seventh schedule of Constitution states the "*Central Government is allowed to legislate in respect of currency, coinage, legal tender, foreign exchange and bills of exchange, cheques, promissory notes and other like instruments respectively*". Central Government would have exclusive power to legislate if bitcoin fall any of this categories.

The principle laws concerning India currency are:

I. The Constitution of India, 1950;

II. The Foreign Exchange Management Act, 1999 ("FEMA");

III. The Reserve Bank of India Act, 1934 ("RBI Act");

IV. The Coinage Act, 1906 ("Coinage Act");

V. The Securities Contracts (Regulation) Act, 1956 ("SCRA");

VI. The Sale of Goods Act, 1930 ("Sale of Goods Act");

VII. The Payment and Settlement Systems Act, 2007 ("Payment Act").

VIII. Indian Contract Act, 1872 ("Contract Act")

If RBI treats to bitcoin as a currency, these laws will be applicable to bitcoin. By using bitcoin, payment system may create following issues:

1. Digital wallets stored the bitcoins, if they are responsible to suffer from hacking, loss of password, malware attack etc. and they are not created or traded through any authorized central agency. If in case of loss of e-wallet then loss of bitcoins held in them.

2. As there is no system for customer problems/disputes/charge back etc. because Bitcoin transactions are peer-to-peer without central authority which monitors the payment.
3. No one is responsible for malfunctioning.
4. Anonymous currency system leads to unintentional breaches of money laundering and combating the financing of terrorism laws (Tamradaman and Nagpure, 2017).

Legalization of Bitcoin in India

The main problem with determining the legal status of how should be handled the Bitcoins is whether they are currency, security, commodity or something different. According to the legal definition, currencies must be issued, used and accepted by country but it is not applicable in case of bitcoin. All countries are illegally used of it is another problem. Bitcoins are used legally and are applied normally in earned income rules in some countries like Australia, Canada, Finland and Germany but in many countries, do not made a clear statement with legalization and use of bitcoin. In Thailand country, bitcoins are used illegally but in different countries, non-uniformity in the legalization of bitcoin is a major issue. As per the Foreign Exchange Management Act, 1999, currency is defined as "*all currency notes, postal notes, postal orders, money orders, cheques, drafts, travelers cheques, letters of credit, bills of exchange and promissory notes, credit cards or such other similar instruments, as may be notified by the Reserve Bank*". According to reiterated Finance Minister Arun Jaitley, the cryptocurrencies are not recognized as legal tender in the Union Budget February 2018. During his speech, Minister said "*The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system*" (Kumar, 2018).

KYC norms

Know Your Customer (KYC) norms are setup by RBI in India that bank requires the customer's transactions, keep up-to-date record of customer's identity but it is not required in case of bitcoin transactions. Bitcoins bringing come under the current India laws, it is difficult.

Cross border transfer of Bitcoin

All inbound and outbound foreign exchange are regulated by Foreign Exchange Management Act (FEMA) that is related to transactions. According to section 3 of FEMA states that no person shall "'*deal in or transfer any foreign exchange or foreign security to any person not being an authorized person*".

- Payment should be done by using the credit card of any person who's outside India in any manner.
- Receive otherwise through an authorized person, payment should be done on the behalf of any person, resident outside in India in any manner.
- Financial transaction in India as creation or transfer of a right acquire, any asset outside in India by any person.

According to these points, there will not be any violation of FEMA, if bitcoin is purchased by resident Indian from the non-resident through a legitimate banking channels. There will be a violation of FEMA, if the sale of bitcoin by resident Indian to the non-resident.

Taxation

Taxation in most difficult thing in India and it may be applicable to income or expenditure. In case of applying the tax on bitcoin, check differentiate between income and expenditure that is related to bitcoin (Tamradaman and Nagpure, 2017).

Future of Cryptocurrency

In future, Cryptocurrencies like bitcoins will give a healthy competition to different currencies because it are rapidly transforming into real money issued by centralized governing bodies. Current price of bitcoin is increased, reflects that bitcoin will have a bright future. There will be no need to be a specific currency for every individual country all time because bitcoins have potential to be world's currency in the future. (Mohod, Mannarwar and Badukale, 2018).

Advantages and Disadvantages

Digital currency has very large advantage. These are as follows:

- Cryptocurrency does not have any limit in the transaction and readily available for the general public.
- Cryptocurrency made an easy mode of payment.
- The transfer of fund between two parties is also done by cryptocurrency in an easier way. For security purpose, public and private keys are used for transfers that take place with minimal processing fees.

- Extra or steep fees are avoided by the cryptocurrency transaction, charged by the bank for wire transfers.
- Inter-country transaction is done by the cryptocurrency in an easier way as its function is not under central bank.

Here, discuss the drawbacks of cryptocurrencies that is

- Many people are unaware of the use of cryptocurrencies and hacked themselves by hacker.
- Many people invest in cryptocurrencies without knowledge and lose money.
- Cryptocurrency is not accepted by many website and companies because it does not use in legalized term in many countries.
- Mistakenly pay to someone by using cryptocurrency is not refundable (Mohod, Mannarwar and Badukale, 2018).

Review of Literature

Nayak, Kotak and D'mello (2014) stated that bitcoin is the extremely blooming field and definitely the big thing for online payment systems. Bitcoins has definitely some drawbacks but in many cases, positive outweigh the negatives. Cryptocurrencies have been developed more currencies such as Litecoin, Peercoin, and Ripple etc. after the success of Bitcoin.

Dhanda (2017) discussed about the bitcoin that are not replace the "fiat currency" in future but there growth has been increase in acceptance of cryptocurrency. Bitcoins regulatory will not be fully aligned with the goal of regulatory its exchange, transfer and trading and protection of individuals. Every Indian individuals are hesitate to invest in bitcoin at a high risks but still the demand of bitcoin is increase.

Seetharaman, *et al.* (2017) bitcoin is facing, growth is not increase but the way it have to be increased if it had regulatory support. It is the limited supply because it has limited units such as 21 million. In this paper, said that people are ready to explore the technology and give the different format of virtual currency they get some reasonable assurance that the underlying virtual currency has a regulatory backing.

Tamradaman and Nagpure (2017) discussed about the problem is that pace of change in regulations; change in regulation is that takes a route of develop, propose and adopt which generally takes a period. Regulatory changes normally evolve at a slower pace than innovation thereby killing it by declaring it unlawful. Bitcoin tends to fluctuate widely and used as a globally that is volatile over time.

Mohod, Mannarwar and Badukale (2018) stated that bitcoin is one of the greatest invention of individual. Now a days, banks are trying to use the blockchain but it is not authorized by government. Bitcoins are introduce by government that contain own cryptocurrency named "Lakshmi", this information is revealed by RBI's.

Kumar (Februray 2018) bitcoin is not a formal authorized currency but it is a decentralized digital currency. In world, every currency has legalized by government but bitcoins are not. The value of bitcoin is volatile over time that is decrease from $20000 approximately to $6000. During the budget speech on February 2018 declared that the cryptocurrencies are not recognized as legal tender in India. To give warning to the people by various government with the help of tax notice that they are aware from investment of digital currencies.

Andrianto and Diputra (2018) dictated the increasing the high risk of cryptocurrencies which is indicated by the standard deviation rate that can reached more than 100%. This risk is seen from the two things, first one is decrease the standard deviation rate from same rate of return and second is the increase in allocation options to produce higher returns, that is more attractive to some investors which is high risk tolerance.

Conclusion

Bitcoins play an important role in India to increasing the growth rate of country but it is not possible because bitcoins are not government authorized currency as compared to other countries. Nowadays, bitcoins value is highly volatile over time that has been decrease from $ 20,000 to $ 6000. During budget speech that was held on February 01, 2018, Finance Minister has declared that the cryptocurrencies (bitcoins) are not recognized as legal tender in India. Various government has issued tax notices to the users for warned to investments of cryptocurrencies in digital currencies. Finally, bitcoins do not have legal tender in India till today.

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