IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 23, Issue 8. Ser. VI (August 2021), PP 10-17
www.iosrjournals.org

IFRS Repercussion on Indian Banking Industry: A Conceptual Elucidation

*Dr. Nikhat Fatima[1], Dr. Nisar Ahmad Khan[2], and Dr. Aliza Haider[3]
[1]*(Assistant Professor, Aligarh College of Engg. & Tech. (ACET), Aligarh (U.P.), India,*
[2]*(PGT (Retired), Minto Circle, A.M.U., Aligarh (U.P.), India,*
[3]*(Ex-Research Scholar, Dept. of Commerce, A.M.U., Aligarh (U.P.), India,*

Abstract:
Background: *A sound financial reporting system is mandatory for smooth flow of activities in an economy. It shows the trust that investors place in financial reporting information and thus play an important role in the economic development of a country. With the integration of Indian economy with the global economy, the Indian Accounting Standards have converged with International Financial Reporting Standards (IFRS) for preparing its financial statements which are now known as Ind AS (i.e., converged IFRS). The Ministry of Corporate Affairs has revised the roadmap for banking industry in compliance with the IFRS converged Accounting Standards and made it applicable for the period commencing from April 1, 2018. The banking industry in India is the most affected industry with IFRS convergence as its involves significant challenges for banks affecting areas such as consolidation of financial assets, derivatives, loan impairment, hedge accounting, and so forth. The biggest challenge for Indian bank is to harmonize IFRS with existing laws and regulations which are prescribed by Reserve Bank of India.*
Materials and Methods: *The study is based on secondary data. It is descriptive in nature encompassing the benefits, challenges, and roadmap for implementation of IFRS in Indian banks. It further analyzes the major financial reporting areas which are significantly affected with IFRS convergence in Indian banking industry and make a comparison with the earlier accounting standards with its effect on the financial statements of banks.*
Results: *The study revealed that IFRS has serious repercussions on Indian banks and they have to implement the standards after analyzing various aspects.*
Conclusion: *Successful execution of IFRS is imperative for Indian banks for accessing global market. Banks have to update its information system and provide training to the personnel's to get proper acquaintance with IFRS convergence.*
Key Word: *IFRS, GAAP, Financial Reporting, Accounting Standards.*

Date of Submission: 13-08-2021 Date of Acceptance: 28-08-2021

I. Introduction

In India, the Accounting Standards Board (ASB) formulates accounting standards (AS) for Indian enterprises and it was set up on 21 April, 1977 by the Institute of Chartered Accountants of India (ICAI). The standards devised by ICAI are considered by the National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs (MCA) constituted under the Indian Companies Act, 1956, which recommends the standards to the central government for notifying under the act. The government, on accepting the recommendation of the committee, notifies the standards under the act by publishing them in the official gazette[1, 11.]

Today is the era of globalization, where the world has become an economic market and capital markets are an integrated part of this globally world-wide trend. The globalization of business and the authorities which regulate these corporate, thus require single accepted high rated AS for preparing their financial statements. Different countries follow different AS for presentation of same underlying economic transactions which creates confusion among the users while interpreting the financial statements. In order to remove this confusion and for better understanding of financial statements of different countries, there is a need of single set of high quality AS. Thus, the globally accepted AS prompted many countries to converge their national standards with IFRSs in order to compare, analyze, and interpret financial statements across nations more effectively. In India, the AS are reported under Section 133 of the companies Act, 2013 and governed by the provisions of the Indian Copyright Act, 1957. The Indian AS are formulated by considering Indian legal and economic environment and with a view to converge with IFRS standards. The IFRS standards are issued by IFRS Foundation and its copyright is also held by the same foundation. On the other hand, the copyright of Indian AS are held by Government of India[14]. The Indian ASs are applicable to both consolidated and individual financial statements[13].

India is an emerging economy and thus it has also made a formal strategy for convergence with IFRS with the objective to harmonize with globally accepted AS. In line with global trend, the MCA and ICAI had outlined a road map for convergence with IFRS in a phased manner for all public listed companies including banks. Convergence of Indian AS with IFRS provides several benefits to the companies as well as required certain issues to be addressed. The term convergence with IFRS implies achieving harmony with IFRS. In precise terms convergence can be considered "to design and maintain national AS in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs" [1, 9].

Before convergence of IFRS, Indian entities followed Generally Accepted Accounting Principles (GAAP) which is the set of standards, conventions, and rules that accountants follow in recording, classifying, summarizing, and in the preparation of financial statements whereas Indian banks followed the prudential guidelines of Reserve Bank of India (RBI) and ICAI which are very prescriptive, regulatory, and require limited use of judgment. Hence, it is evident that convergence to IFRS has posed considerable challenges for banks involving higher disclosures and noteworthy changes.

IFRS-An Overview: IFRS is a single set of high quality, understandable, and enforceable global accounting standards. It is a "principles based" set of standards which are framed logically and are easy to understand and comprehend. IFRS are increasingly being recognized as global reporting standards for preparation of financial statements of public listed companies. It comprises of*:*

- International Financial Reporting Standards (IFRS) **-** standards issued after 2001
- International Accounting Standards (IAS) **-** standards issued before 2001
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) -issued after 2001
- Standing Interpretations Committee (SIC) **-** issued before 2001

There has been apparent need for global set of high-quality financial reporting standards since long time. In the early 1960s, the international trade had grown and the world felt the need for centralized guidance on AS. The process of international convergence towards a global set of standards started when 16 professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, and the United States agreed to form the International Accounting Standards Committee (IASC) in 1973 which developed IAS. But the IASC had limited success convincing governments to recognize international standards in convergence to national standards. In April, 2001 the International Accounting Standards Board (IASB) was formed as the successor of IASC which is responsible for developing IFRS (the new name of IAS issued after 2001), and encouraging its use and application worldwide [1, 6, 23, 26, 27].

IFRS convergence at Global level: IFRS is gaining momentum as a global accounting language all over the world. Till now more than 125 countries including 27 European Union (EU) member states require or permit the use of IFRS developed by IASB. The number of countries adopting IFRS is expected to increase in the coming years. The counties which have adopted various approaches towards convergence of national GAAP with IFRSs are given in Table 1. In addition to these, countries like Mexico, Mongolia, Australia, Hong Kong, New Zealand, Philippines, GCC countries, Russia, South Africa, Turkey, and Singapore have essentially adopted or permit convergence with IFRS. Pakistan, Thailand, and Malaysia have adopted selected IFRSs quite closely. In Nov, 2008 SEC published for public comment proposed IFRSs roadmap. In Laos and Myanmar, some domestic listed companies are permitted to use IFRSs. Effective dates and transition to IFRS may differ from country to country [1, 16, 26].

Table no. 1: Countries adopting IFRS

Countries	Year of implementation	Countries	Year of implementation
Argentina	2012	Japan	2011
Brazil	2012	Korea	2011
Canada	2011	Sri-Lanka	2011
Chile	2012	UK	2012
EU Countries	2005	USA	2014

Source: Compiled by researcher from various literature review

IFRS implementation in India: Many countries has converged their AS with IFRSs and India is not the exception. India being one of the key global players, convergence with IFRS will facilitate Indian entities to access international markets without having to go through cumbersome conversion and filing process. At its 269 meeting, the Council of ICAI has decided that public interest entities such as listed companies, banks, insurance companies, and large-sized organizations converged with IFRS for accounting period commencing on or after 1 April, 2011. The MCA released a roadmap on 22 January, 2010 which entailed IFRS convergence with national standards in a phased manner effective for companies from April 01, 2011; for insurance companies from April 01, 2012; and for banking and Non Banking Financial Companies (NBFCs) from April 01, 2013. However, India's path to convergence with IFRS has become difficult due to several reasons and it was not applicable in many Indian companies due to lack of clarity. But, after clearing all the hurdles, ICAI has made IFRS compulsory for Indian entities beginning on or after April 1, 2016. The MCA in its press release of 18 January, 2016 has revised the roadmap for implementation of Ind AS (i.e., converged IFRS) for SCBs, Insurance Companies, and NBFC [13, 20, 21, 23.] They will be required to prepare Ind AS based financial statements for accounting periods beginning from April 1, 2018 onwards. A detailed roadmap for IFRS implementation is given below:

Table no. 2: Revised roadmap for implementation of Indian Accounting Standards (Ind AS) converged with IFRS for various entities

Applicable to	Applicable from
I. Scheduled Commercial Banks (excluding RRBs) and Insurance Companies	
SCBs (excluding RRBs), all India tem-lending refinancing Institutions (i.e., Exim bank, NABARD, NHB, & SIDBI), &insurers/Insurance Companies	the accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter.
Holding, subsidiary, joint venture or associate companies of SCBs (excluding RRBs)	the accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter
Urban Cooperative Banks (UCBs) and RRBs	shall not be required to apply Ind AS and continue to prepare financial statements with the existing AS
II. Non-Banking Financial Companies (NBFCs)	
Phase I: (a) NBFCs having net worth of Rs. 500 crores or more (b) Holding, subsidiary, joint venture or associate companies of companies covered under (a) above, other than those companies already covered under the corporate roadmap announced by MCA, GoI	the accounting period beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018 or thereafter. Ind AS will be applicable to both consolidated and individual financial statements.
Phase II :(c) NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth less than Rs. 500 crores. (d) NBFCs other than those covered in (a) & (c) above, that are unlisted companies, having net worth of Rs. 250 crores or more but less than Rs. 500 crores. (e) Holding, subsidiary, joint venture or associate companies of companies covered under (c) & (d) above, other than those companies already covered under the corporate roadmap announced by MCA, GoI	the accounting period beginning from April 1, 2019 onwards with comparatives for the periods ending March 31, 2019 or thereafter. Ind AS will be applicable to both consolidated and individual financial statements.
NBFCs having net worth below Rs. 250 crores and not covered under the above provisions shall continue to apply AS specified in Annexure to Companies (Accounting Standards) Rules, 2006.	
III. SCBs (excluding RRBs)/ NBFCs/insurance companies/ insurers	
Apply Ind AS only if they meet the specified criteria, they shall not be allowed to voluntarily adopt Ind AS. This, however, does not preclude an insurer/insurance company/NBFC from providing Ind AS compliant financial statement data for the purposes of preparation of consolidated financial statements by its parent/investor, as required by the parent/investor to comply with the existing requirements of law.	

Source: Ministry of Corporate Affairs. (2016). Press Release. Retrieved fromhttps://mca.gov.in/Ministry/pdf/Press_Release_18012016.pdf

II. Literature Review

Since the adoption of IFRS, several studies have been carried out on IFRS discussing its benefits, challenges, and areas affected due to its implementation. A synoptic review of some studies on IFRS is as follows: **Bedia and Shrivastava (2020)** analyzed the impact of voluntary adoption of IFRS on the comparability and relevance of financial information of listed Indian companies. The study revealed that current asset, fixed assets, shareholders equity, intangible asset, fixed liabilities, deferred tax asset and liability have increased significantly under IFRS over Indian GAAP. Moreover, the study found that IFRS has a positive effect on the value relevance of financial information for the investors for decision making in the capital markets as compared to financial information prepared under Indian GAAP. **Kumawat (2019)** analyzed the impact of IFRS on various sectors of the economy. The study revealed that the financial position of Indian companies has been enhanced in respect to International peers after adopting IFRS. Moreover, the study found that sectors like healthcare, automotive, pharmaceuticals, industrial manufacturing, and life sciences are positively affected with the adoption of IFRS while infrastructure, telecom, capital projects, and metals are negatively influenced. **Tripathi (2018)** addressed the features, issues, benefits, and challenges for adopting IFRS in small and medium enterprises as well as compared Indian GAAP guidelines with IFRS for SMEs in Indian context. The study found that IFRS adoption will have a significant impact on financial position of the companies and it will have favorable impact on the confidence level of the users of financial statements such as investors, students, accountants, auditors, stakeholders, and so on. Investors will be highly benefitted from that as they can analyze the financial position of companies more accurately due to strict reporting and disclosure requirements of IFRSs as compared to Indian GAAP. **Parvathy (2017)**discussed the issues, benefits, and challenges faced by the stakeholders on convergence of IFRS with Ind AS. The study reported that IFRS convergence leads to numerous benefits such as better access to global capital markets, elimination of multiple recording, better cross border listing, easier global comparability, high quality of financial reporting and improved cross border investments. On the other hand, the challenges include lack of training, change in IT systems, use of fair value measurement base, amendments in regulations, lack of adequate awareness, and SME concerns. **Muniraju and Ganesh (2016)** analyzed the awareness of stakeholders towards the implementation of IFRS by primary method via questionnaire. The researchers found that stakeholders lack knowledge regarding various aspects of IFRS and they require training for its better understanding. **Shrivastava, Rawat, and Maheshwari (2015)** studied the opportunities and challenges of IFRS implementation in Indian accounting system. The study revealed that convergence with IFRS is quite challenging in terms of fair value accounting, taxation, training, auditing, and other regulatory norms. In contrast, the study also discussed various advantages of IFRS such as excellence in financial reporting, raising capital at lower costs, consistency, transparency, and comparability of financial information. **Kapoor and Ruhela** (**2013)**elucidated in their research paper that IFRS adoption leads to several benefits such as global comparability, transparency, better quality of information, easy access to foreign markets, and lower cost of capital while the biggest challenge is to harmonize IFRS with existing laws and regulations. Various studies have been conducted relating to accounting harmonization of Indian GAAP and IFRS. The studies found out that there are large numbers of accounting promulgations issued by IRDA, ICAI, SEBI, & RBI which conflict with existing IFRS. **Dimple (2013)** stated that with the convergence of IFRS, there would be changes in the guidelines of regulatory bodies in India which requires making amendments in regulations. Though transition to IFRS will confer many difficulties to Indian corporate, but due to its advantages, it is strongly recommended. **Yadav and Sharma (2012)** asserted that transition to IFRS requires an absolute change in accounting norms as well as it argues for more extensive and transparent disclosures. **Thappa (2012)** found that IFRS adoption in banking sector brings several changes in areas such as hedge accounting, fair value measurement, consolidation of financial statements, and tax reporting practices. In addition to these, **Rastogi and Agarwal (2012)** scrutinized other impacted areas in banking sector which includes derivatives, recognition and measurement, cash flow characteristics, compliance burden, de-recognition of financial assets, and human resources. **Ghatak (2012)** explored the impact of IFRS on the valuation of mergers and acquisitions of banks in India. The author revealed that the cost of merger will increase because of fair value approach of IFRS, resulting in increasing the synergy of acquisition of banks whereas **Firoz, Ansari, and Akhtar (2011)** explored capital, reserve, investment, advances, Net NPA ratio, and capital adequacy ratio as major areas affected in banking system with adoption of IFRS. **Swamynathan and Sindhu (2011)** expounded that convergence to IFRS from Indian GAAP would effect the financial statements. A research study was also conducted examining the effect of voluntarily convergence of IFRS in respect to key accounting ratios of Wipro. The study revealed that there was not much difference in the net income of Wipro as per IFRS reporting and Indian GAAP but significant difference exists between equity and total liability. **Raghwan (2010)** stated that fair value accounting will result in notional or accounting gain or loss as eventual settlement of price of financial instruments be it asset or liabilities could be substantially different. Another study by **Kumar (2010)** examined that putting IFRS completely into practice would critically influence the appropriate level of investment in systems, level of regulatory sponsorship, and the level of consistency prevailing in market procedures. In addition, many studies have been undertaken discussing impact of IFRS on various sectors. **Pohane (2012)** analyzed the challenges and opportunities for real sector with IFRS convergence. It was found out that IFRS addressed two risks that is, market and execution risks in revenue recognition with respect to the sale of real estate projects. **Pavera and Khatri (2008)** discussed the issues related to convergence of IFRS and its impact on Indian banking industry. The study revealed that the major areas which require high level of judgment after implementing IFRS in banking include provision for loan losses, and impairment of advances.

III. Objectives of the Study

- To analyze the implications of IFRSs on Indian Banking Industry.
- To assess the implementation phase of IFRS for Scheduled Commercial Banks, Insurance Companies, and Non Banking Financial Companies.
- To examine the benefits and challenges posed by IFRS implementation in India.

IV. Benefits of achieving convergence with IFRS

Converging accounting standards with IFRS would ensure following merits:

The economy: Converging AS with IFRS will result in increasing the growth of international business in the country which would promote not only international investing but also lead to more capital inflows in the country. It will also assist maintenance of systematic and competent capital markets which enhance the capital formation in the country.

The investors: When financial statements are prepared using the globally accepted AS, it will give investors a better understanding of economic transactions and boost up their level of confidence in comparing, analyzing and interpreting financial statements across the world. It will also reduce the time and efforts of investors which is incurred on converting the financial statements.

The industry: When industry adopts global AS for preparing their financial statements, it will create confidence in the mind of foreign investors which facilitate industry to raise capital from foreign markets at lower cost. IFRS adoption will enable entities to reduce cost of compliances which they incurred due to different accounting requirements existing in various countries.

The accounting professionals: When countries all over the world follow single set of high quality standards, it would benefits accounting professionals to serve international clients by selling their services as experts. Convergence with IFRS will provide more opportunities to them as they can carry their practices globally and it will also increase their mobility to work either in industry or practice. In addition to this, professionals can give valid recommendations to clients for following certain way of reporting by giving them backing of IFRSs [1, 3, 9, 11, 16, 20, 21, 23, 26].

V. IFRS Implications for banks in India

Converged IFRS has posed major challenges for banks, primarily in the areas relating to net worth, loan loss provisioning, capital adequacy ratio, financial instrument, fair value, and hedge accounting. Besides following general AS and practices that constitute Indian GAAP, banks are required to follow accounting principles and policies framed by RBI guidelines[11]. Adoption of IFRS requires considerable change to such existing policies and could have a significant repercussion on the financial statements and bring about various changes to the financial reporting processes adopted by Indian banks. The IFRS conversion efforts will also impact other areas such as information systems, investor relations, human resources, mergers and acquisitions [20, 21].The major implications encountered by Indian banks with convergence to IFRS are as follows:

Classification and Measurement of Financial Assets (FA): The ICAI has issued AS-30, 31, and 32 parallel to IFRS 9 on financial instruments which provides measurement of the assets on the basis of amortized cost or fair value. Classification and measurement of FA forms an imperative part in banks which lead to major implementation challenges. Under IFRS,FA are classified into four categories i.e., financial asset at fair value through profit or loss, held to maturity, loans and receivables, and available for sale while AS-13 requires classification of investments into long-term and current investments. Indian banks required to comply with RBI guidelines which provide to classify their assets between held to maturity, trading and available for sale [11, 20, 21.] As per IFRS requirements, FA at fair value through profit or loss and assets available for sale are measured at fair value while assets held to maturity and loans and receivables are measured at amortized cost (Gaston & Song, 2014). Indian GAAP requires long term investments, loans and receivables to carry at cost less impairment, whereas current investment are carried at fair value price. In addition, investments in equity instruments are valued at market price as per RBI norms [6, 26]. These all would impact Indian banks as they have to measure the entire portfolio at fair value to comply with IFRS requirements.

Consolidation of Financial Statements : Under IFRS, it is mandatory that parent entities prepare consolidated financial statement of all its subsidiaries unless it meets the exemption criteria prescribed under IAS 27 para 10, but as per Indian AS an entity does not require to prepare / present consolidated financial statements. In India the consolidated financial statements are mandatory for public listed companies while it is optional for other entities. The consolidated model under IFRS is based on control, which is the power to govern the financial and operating activities and the existence of currently exercisable potential voting right is also taken into consideration while Indian GAAP provide consolidated model based on voting control or control over the composition of board of directors. IFRS also provides guidance on how consolidation decisions for Special Purpose Entities (SPE) should be arrived. Under IFRS, SPEs are consolidated where the substance of the relationship indicates that there is an entity which control the SPE, however Indian GAAP does not provide guidelines on these. These all impact banking sector as Indian entities need to comply with AS-21 for preparing consolidated financial statements which is a tedious task. Further, the convergence shall be required for the prudential norms of RBI, as compiling with these requirements is difficult for Indian banks [6, 11, 20, 21, 26.]

De-Recognition of Financial Assets (FA): Under IFRS, FA are derecognized based on the principle of risks and rewards where control is a secondary test. In the Indian context, generally de-recognition is based on transfer of risks and rewards. However, ICAI has issued a guidance note on accounting for securitization based on control regarding de-recognition of securitized assets if the originator loses control of the contractual rights that comprised the securitized assets. This would impact the securitization vehicles which are structured to meet de-recognition norms as per Indian GAAP and thereby fails the de-recognition norms under IFRS. Thus, Indian banks would need to develop structured vehicles that suits the IFRS de-recognition norms as well as should assess the impact of transactions which do not meet these requirements on capital adequacy ratio, return on assets, and deferral of gains/losses on such securitization transaction [6, 11, 26.]

Impairment of Financial Asset: As per IAS 32, 39 for valuation of impairment of FA, the business establishment must check whether there exists objective evidence that a FA or group of FA is impaired. A decline in the fair value of FA below its cost is not necessarily an evidence of impairment. While in Indian GAAP, current investments are recorded at lower of cost or market price and long-term investments are valued at cost less diminution in value wherever the decline is other than a temporary decline. Indian banks follow RBI guidelines for making provision and adopt write-off method for estimating value of its advances. In present context, they measure impairment of FA on an "incurred loss" basis. An asset is considered impaired if there is objective evidence available that its impairment has occurred due to events taking place after initial recognition. The impairment loss in case of FA which are measured at amortized cost is equal to the difference between assets carrying amount and the present value of the estimated future cash flows, discounted at the assets original rate of return [4, 6, 7, 11, 26] .Thus, conversion with IFRS requires Indian banks to consider all facts and circumstances for impairment assessment which is very challenging to implement.

Tax Reporting Practices: With the convergence of AS, the tax reporting practices of Indian banks will also be affected as they comply with Income Tax Act, 1961 whose laws are not recognized by IFRS. The conversion method includes complex matters for banks such as pre-tax accounting changes, tax information systems, global planning strategies, and losses due to fair value measurement [6, 9, 22, 24.]

Derivatives and Hedge Accounting: As per IFRS, all derivatives are identified on the balance sheet as either FA or liabilities and measured initially at fair value on the acquisition date. Derivatives which are not qualified for hedge accounting are also measured at fair value. As per AS- 30 (i.e., Financial instrument: Recognition & measurement), the derivatives are valued at fair value in balance sheet after making provision for difference in Income Statement for the fair value of such derivatives. Under Indian GAAP, there is limited guidance on contracts such as forward exchanges, equity index futures, options, and so forth and only certain derivatives are recognized on balance sheet as either FA or liabilities. IFRS has set strict guidelines on hedge accounting and it is not possible to apply it unless all documentation is complete whereas there is no specific guidance on that under Indian GAAP [6, 11, 26.]

Fair Value Measurement: Fair value is an important aspect for Indian banks as IFRS require that the balance sheets have to be fair valued as against Indian GAAP which follows the practice of historical cost [23]. Under IFRS, all the FA and liabilities are measured on the basis of fair valuation approach while intangible assets, property, plant, investment property, and biological assets are revalued at fair value. IFRS emphasized on increasing use of judgment and extensive use of unobservable valuation of inputs and assumptions. Indian GAAP rarely uses fair value measurement. In order to meet this challenge Indian banks should need to re-examine the fair valuation practices to make certain that they are latest, appropriately validate, and up to date in the present existing market circumstances [9, 11, 16, 22.]

Compliance Burden: Under IFRS, all entities should make an explicit statement that financial statements comply with its requirements while Indian banks should comply with RBI guidelines. Indian GAAP requires entities to disclose whether the financial statements comply with applicable AS and to give details of non-compliance. Indian banks follow number of regulations as per RBI in areas relating to classification of assets, income recognition, capital adequacy, provisioning norms, valuation of loans and advances, net worth, and so forth. Meeting IFRS guidelines regarding compliance would increase the burden on banks and enhance its non-operating costs [6, 26.]

VI. Challenges on Converging IFRS in India

- Indian GAAP is different from IFRS which makes it difficult to harmonize the financial statements globally.
- In India there is no separate regulatory body which provides guidelines regarding implementation of IFRS, as there is RBI for banking, IRDA for insurance, SEBI for securities &Indian companies Act, 1956 for entities, which create more confusion in implementing IFRS affectively.
- There is lack of proper guidance and training staff in India for affective implementation of IFRS.
- IFRS implementation brings change in currently followed Indian AS, which makes it complicated to consolidate accounting data based on old standards to new one.
- In India, regulatory bodies are rules based while IFRS is principle based which does not provide detailed rules to follow up.
- There is lack of proper resources and adequate data which affect the IFRS implementation successfully.
- IFRS is more subjective as it requires converting historical data into market value for comparability which would have a significant impact on measurement of business performance of Indian companies.
- Adoption of IFRS requires additional costs such as cost on modifying IT systems, training staff, increase audit cost, cost of educating various stakeholders which lead to increased initial one time cost.

- As IFRS consider several factors for preparation of financial statements which are not relevant as per Indian GAAP, it would increase the complexity of financial reporting process and make it difficult for certain users to understand and interpret them [1, 11, 20, 21, 26].

VII. Conclusion

From the above discussion, it can be concluded that though IFRS poses significant challenge for Indian banking industry and the whole implementation process is costly and time consuming, but Indian banks will definitely benefit from the adoption of globally acceptable AS in accessing the international capital markets. For the smooth transition into IFRS, Indian banks should adopt a forward looking approach. IFRS convergence may also place additional demands on the banks' technical as well as human resources besides affecting financial instruments, advances, impairment of financial assets, and other critical areas. Banks have to upgrade its information systems and have to train its professional personnel to handle the system and work on it. India's path to convergence with IFRS has been complicated due to various domestic and international reasons. In the Indian context, the crucial areas to the successful execution of IFRS would be the appropriate level of regulatory sponsorship, suitable level of consistency, and the proper level of investment prevailing in the market system. The regulatory bodies RBI, IRDA, SEBI, and ICAI should also take keen interest in the convergence which will throw a positive impact on the common industry approach emerging towards convergence. ICAI has accepted converged AS and advocated that Indian banks will not give up the prudential norms framed by RBI as it saved Indian banks from global financial meltdown. In a nutshell, Ind AS (i.e., converged IFRS) has serious repercussions on Indian banking industry and banks have to exercise great deal of efforts in implementing them.

References

[1]. Agashiwala, N. (2010).Convergence to IFRS from Indian GAAP-Impact and challenges. Retrieved from https://vdocuments.mx/documents/ifrs546c5350b4af9fbc568b4665.html

[2]. Bedia, D.D., & Shrivastava, K. (2020). A study assessing the impact of voluntary adoption of IFRS on the comparability and relevance of financial information of listed Indian companies. *International Journal of Scientific & Technology Research*, 9(*1*), 310-320.

[3]. Das, K.K., Panda, P., & Mishra, S. (2012). Issues and challenges for Indian Banking Sector due to convergence with IFRS. *Orissa Journal of Commerce, 14*(1),33-44.

[4]. Deloitte. (n.d.).IAS 39-Financial instruments: Recognition and measurement. Retrieved from https://www.iasplus.com/en/standards/ias/ias39

[5]. Dimple. (2013). Implementation of international financial reporting standards: Some regulatory issues. *BEST: International Journal of Management, Information Technology and Engineering, 1* (3), 85-94.

[6]. Firoz, M., Ansari, A.A., & Akhtar, K. (2011). IFRS – Impact on Indian banking industry. *International Journal of Business and Management, 6 (*3), 277-283.

[7]. Gaston, E., & Song, I.W. (2014.). Supervisory roles in loan loss provisioning in countries implementing IFRS. *IMF Working Paper*. Retrieved fromhttps://www.imf.org/external/pubs/ft/wp/2014/wp14170.pdf

[8]. Ghatak, A. (2012). Impact of IFRS on the valuation of mergers and acquisition of banks in India. *The International journal's-Research Journal of Social Science & Management, 2* (3), 113-116.

[9]. Jain, P. (2011). IFRS Implementation in India: Opportunities and challenges. *World Journal of Social Sciences, 1*(1), 125-136.

[10]. Kapoor, B., & Jyoti Ruhela, J. (2013). IFRS implementation: Issues and challenges for India. *VSRD International Journal of Business and Management Research, 3*(2), 103-106. Retrieved from http:// www.vsrdjournals.com.

[11]. Kumar, R. (2010). IFRS: Are Indian banks ready? *The Chartered Accountant Journal, 59(2),* August, 61-67. Retrieved fromhttps://pdfslide.net/download/link/icai-aug-2010

[12]. Kumawat, H.S. (2019). A study on the impact of IFRS on various sectors in India. *Inspira-Journal of Commerce, Economics & Computer Science (JCECS), 5*(4), 91-96.

[13]. Ministry of Corporate Affairs. (2016). Press Release. Retrieved from https://mca.gov.in/Ministry/pdf/Press_Release_18012016.pdf

[14]. Ministry of Corporate Affairs. (2021). Accounting Standards. Retrieved fromhttp://www.mca.gov.in/MinistryV2/accountingstandards1.html

[15]. Muniraju, M., & Ganesh.S.R. (2016). A study on the impact of international financial reporting standards convergence on Indian corporate sector. *IOSR Journal of Business and Management,* 18 *(4),* 34-41.

[16]. Parvathy, P. R. (2017). IFRS convergence: Opportunities and challenges in India. *Accounting and Financial Control, 1*(2), 13-18. doi:10.21511/afc.01(2).2017.02

[17]. Pavera, R., & Khatri, J. (2008). IFRS: Implementation challenges and approach for banks in India.*CAB CALLING*, July-September, 23-29.

[18]. Pohane, J.H. (2012). Converging with IFRS - Challenges and opportunities in real estate. *International Indexed & Referred Research Journal*, 1(1), 43-44.

[19]. Rastogi, S., & Shipra Agarwal, S. (2012).Implementation of international financial reporting standards in Indian banking industry. *International Journal of Research in Finance & Marketing, 2*(2), 397-411. Retrieved from http://www.mairec.org

[20]. Reserve Bank of India. (2010).*Perspectives on the Indian Banking sector.* Retrieved from https://www.rbi.org.in/scripts/PublicationsView.aspx?id=14626

[21]. Reserve Bank of India. (2012). Report on Trend and Progress of Banking in India 2011-12. Retrieved from http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/01CP_RTP031112_F.pdf

[22]. Shrivastava, P., Rawat, D.S., &Maheshwari, D. (2015). A study on challenges and prospects of IFRS in Indian accounting system. *International Journal of Core Engineering & Management,* 2*(4),* 142-149.

[23]. Sruthiya, V.N. & Akhin, P. (2017). International financial reporting standards implementation in India: Benefits and problems. IRA-International Journal of Management & Social Sciences, *6*(2), 292-297. doi:http://dx.doi.org/10.21013/jmss.v6.n2.p13

[24]. Sunanda, Kaur, M., & Bhalla, L. (2019). Opportunities and challenges in the convergence of IFRS in India. Journal of the Gujarat Research Society, *21*(8), 769-777.

[25]. Swamynathan, S., & Sindhu. (2011). Financial statement effects on convergence to IFRS – A case study in India. *ZENITH International Journal of Multidisciplinary Research, 1* (7), 317-366. Retrieved from http://www.zenithresearch.org.in

[26]. Thappa, S. (2012).IFRS in Indian banking industry: Challenges ahead. *International Journal of Finance and Accounting 2012, 1*(5): 94-105. doi: 10.5923/j.ijfa.20120105.03

[27]. Tripathi R., & Gupta, S(n.d.).International Financial Reporting Standards: A way for global consistency. *Australian Journal of Business and Management Research (AJBMR), 1 (1).* 38 -51. Retrieved from http://www.ajbmr.com/articlepdf/ajbmr_v01n01_04.pdf

[28]. Tripathi, R. (2018). Adoption and implementation of IFRS: An imperative need for SMEs in India. *Voice of Research, 7*(3), 48-51.

[29]. Yadav, S., & Sharma, D. (2012). Convergence to IFRS: What needs to be done by Indian corporate to meet the emerging challenges? *International Journal of Computational Engineering & Management, 15* (6), 36-43.

Annexure I: Indian Accounting Standards (IND-AS, i.e., converged IFRS) as on April 1, 2020

IAS NO.	***Title***
Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of Cash Flows
Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Ind AS 10	Events after the Reporting Period
Ind AS 12	Income Taxes
Ind AS 16	Property, Plant and Equipment
Ind AS 19	Employee Benefits
Ind AS 20	Accounting for Government Grants and Disclosure of Government assistance
Ind AS 21	The effect of Changes in Foreign Exchange Rates
Ind AS 23	Borrowing Costs
Ind AS 24	Related Party Disclosure
Ind AS 27	Separate Financial Statements
Ind AS 28	Investments in Associates and Joint Ventures
Ind AS 29	Financial Reporting in Hyperinflationary Economies
Ind AS 32	Financial Instruments Presentation
Ind AS 33	Earnings per share
Ind AS 34	Interim Financial Reporting
Ind AS 36	Impairment of Assets
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
Ind AS 38	Intangible Assets
Ind AS 40	Investments Property
Ind AS 41	Agriculture
Ind AS 101	First-time Adoption of Indian Accounting Standards
Ind AS 102	Share-based Payment
Ind AS 103	Business Combinations
Ind AS 104	Insurance Contracts
Ind AS 105	Non-current Assets Held for Sale and Discounted Operations
Ind AS 106	Exploration for and Evaluation of Mineral Resources
Ind AS 107	Financial Instruments Disclosure
Ind AS 108	Operating Segments
Ind AS 109	Financial Instruments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 112	Disclosure of Interests in Other Entities
Ind AS 113	Fair Value Measurement
Ind AS 114	Regulatory Deferral Accounts
Ind AS 115	Revenue from Contracts with Customers
Ind AS 116	Leases

Source: Ministry of Corporate Affairs (2021). Accounting Standards. Retrieved from http://www.mca.gov.in/MinistryV2/accountingstandards1.html

Dr. Nikhat Fatima, et. al. "IFRS Repercussion on Indian Banking Industry: A Conceptual Elucidation." *IOSR Journal of Business and Management (IOSR-JBM)*, 23(08), 2021, pp. 10-17