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A STUDY ON WINDOW DRESSING OF FINANCIAL STATEMENTS IN INDIAN BANKS

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ABSTRACT

Window dressing is a term used to describe cosmetic changes a financial institution might make, often near the end of a reporting period, to improve its appearance to investors. Window dressing occurs when a company or financial institution makes cosmetic changes, often at the end of a reporting period, to improve investors' perceptions of its financial condition. Window dressing is when managers in an organization take measures to make their financial statements appear better than they actually are. The basic idea of window dressing is to mislead shareholders and investors by presenting a favorable picture of the organization's performance. Window-dressing is one of the uncomfortable phenomena in the Indian banking system. Banks try to make-up their figures through artificial means. However, the make-up does not last long. The simplest and most common way of practicing window dressing involves presenting statistical information in such a way as to improve the way an enterprise's performance appears to clients, shareholders, or investors. In spite of being transitory, window-dressing has become a common and normal practice among bankers and an integrated feature of the system so much. All banks window-dress, only the degree differs. This paper discusses the reasons for and ways of window dressing, pros and cons of window dressing, present status of window dressing in Indian banks, fraud analysis and statutory measures to curb or minimise the risk of window dressing.

Key Words: Window Dressing, Financial Statements, Indian Banking System, Artificial Figures, Fraud Analysis.

Introduction:

One of the most basic requirements for a meaningful analysis of financial statements is the authenticity and reliability of the statements. The quality of analysis of any set of financial statements depends entirely on the reliability of such financial statements. Financial Analysts have, therefore, to guard themselves against fudged or manipulated financial statements to save themselves from reaching wrong and misleading conclusions. In the event of fudged or manipulated financial statements, wrong conclusions will be drawn leading to catastrophic results. Companies need to publish accounting information according to the rules laid down by statutory and professional bodies. These rules govern the structure and contents of accounts, the dates by which accounts must be published, and how figures should be presented.

Given the complexity of the rules and regulations prescribed by different governing bodies, there is always scope to interpret them in a way that is advantageous for the manager or management team. Motivated by the 'opportunity of interpretation', finance managers and directors bend the rules, re-interpret them, or ignore them entirely to present a better picture of their performance through the financial statements. The information provided based on such discretion (i.e., interpreting or misinterpreting the rules and regulations) appears to be true but is not true. This means that, through window dressing, organizations have an opportunity to depict a rosier-than-reality picture to information users.

Need and Importance of the Study:

Window Dressing in accounting means the intentional manipulation of data and figures by the management of the company in the financials of the company just prior to the release of the same in public for presenting the more favorable and acceptable business performance and financial position of the company for the relevant financial period.

Window-dressing is one of the uncomfortable phenomena in the Indian banking system. The financial status of banks is evaluated every quarter (March-end, June-end, September-end and December-end). Banks try to boost their deposit figures through artificial means. However, the make-up does not last long. The deposit figures start dropping in the ensuing weeks till the attainment of a natural height. The paradox to be noted is that window-dressing is artificial, whereas window-undressing is quite natural.

In spite of being transitory, window-dressing has become a common and normal practice among bankers and an integrated feature of the system so much so that the quarterly figures of deposits are always accepted with a pinch of salt. All banks window-dress; only the degree differs. The phenomenon of window-dressing continues despite the RBI's warningsand suasion. Banks have been repeatedly warned to eschew window-dressing and it is unfortunate that despite strong suasion this warning has been ignored. Banks are cautioned once again against the recurrence of such a phenomenon. Keeping in mind the ongoing practice of window dressing in Indian banks, the researcher felt to undertake the present study to bring out the facts of window dressing sitibg examples.

Objectives of the Study:

- To understand the concept of Window Dressing in Financial Statements in Indian Banks
- To explore the reasons for and ways of window dressing in Indian Banks
- To know the pros and cons of window dressing and present status of window dressing in Indian Banks
- To analyse and interpret the fraudulent Financial Statements in Indian Banks
- To identify the statutory measures to curb or minimise the risk of window dressing in Indian Banks

Research Methodology of the Study:

The reuired data and information have been collected from the secondary souces like books, published articles, RBI circulars and websites.

Concept Exploration:

Window dressing occurs when a company or financial institution makes cosmetic changes, often at the end of a reporting period, to improve investors' perceptions of its financial condition. Window dressing is actions taken to improve the appearance of a company's financial statements. Window dressing is particularly common when a business has a large number of shareholders, so that management can give the appearance of a well-run company to investors who probably do not have much day-to-day contact with the business. It may also be used when a company wants to impress a lender in order to qualify for a loan. If a business is closely held, the owners are usually better informed about company results, so there is no reason for anyone to apply window dressing to the financial statements.

Window dressing is an unethical modification of financial information in order to produce more attractive financials. This practice is found more commonly in large corporations which feel the pressure of stockholders' expectations. Various audit procedures are executed in order to detect actions taken in order to window dress the financial statements.

Definition of Window Dressing:

Window dressing is a technique used by management to manipulate financial statements and reports to show more favorable results for a period. Although window dressing is illegal or fraudulent, it is slightly dishonest and is usually done to mislead investors.

In short, window dressing is a short-term strategy to make financial statements and financial portfolios appear more consistent and desirable than they really are. Although window dressing does not amount to fraud in most circumstances, it is usually done to mislead investors from the true company or fund performance.

Why Window Dressing?

The basic idea of window dressing is to mislead shareholders and investors by presenting a favorable picture of the organization's performance. For example, if a company has many shareholders who lack an in-depth operational knowledge of the business, window dressing may be used to make financial information look attractive to them. It is used by companies and funds to make their financial reports and portfolios look more appealing to clients, consumers, and investors. The goal is to attract more people and more money, hopefully boosting the next reporting period's bottom line.

Reasons for Window Dressing:

- To protect an enterprise from takeovers. Managers may revalue the enterprise's assets, especially its brands, at a higher price. In doing so, the enterprise's assets position is boosted, which discourages a potential buyer from bidding.
- To improve share valuations by posting higher profits (e.g., profits arising from revaluation being treated as revenue). The managers show the public that their performance is good, which may not be the case in reality.
- To appease shareholders by posting higher profits and, thereby, encouraging them to approve accounts without interrogation at the Annual General Meeting (i.e., to manage the meeting smoothly, where it would be difficult otherwise).
- To increase revenue from takeovers. Although this act is considered to be fraudulent, enterprises manage it by furnishing approvable statistics to justify the act.
- To win or to retain institutional investors' support. This is achieved using creative accounting to disguise poor performance trends (creative accounting involves inflating profits or manipulating asset and liability figures).
- To retain or gain lines of credit. Business creditors are encouraged by strong liquidity (where, in reality, the liquidity is managed).

Ways of Window Dressing:

Window Dressing is usually done in one or both of the following two ways:

1. Misrepresentation of Financials by manipulating accounting norms and standards

When a company manipulates the accounting norms and conceals the actual state of affairs it is resorting to this form of Window Dressing. Some examples of this form of Window Dressing are:

i. Non Provision for doubtful debts

This is one of the most common methods of Window Dressing and has been extensively exposed in the Banking Sector. The present sorry state of banks particularly the Public Sector Banks is attributable to this form of Window Dressing in order to show better results than actual.This is prevented to a large extent by a close scrutiny of the Debtors by the Auditors and seeking balance confirmations etc. In many cases large cases of non provision of doubtful debts can be captured in a diligent audit.

ii. Non provision for obsolete or damaged inventory

Occasionally manufacturing companies do not write off damaged inventory or obsolete inventory in order to avoid taking the hit on their profits for the year. This is backed by suitable line of argument by the management justifying their point of view. This is a strong tool of window dressing.

iii. Treatment of revenue expenditure as capital expenditure or a deferred revenue expense

By treating revenue expenditure as a capital or a deferred revenue expense a company increases its profits artificially. This is also capable of being captured by a diligent audit of capital expenses. Window Dressing of this kind is may or may not fall in the category of a "Criminal Offense" as the management will have a cohesive line of argument to support its own accounting line. It may not be in line with the Auditor's view but it cannot be termed as deliberate act of cheating. Hence, the consequence of this form of Window Dressing is for the Auditors to "Qualify" the Report to the Shareholders and thereby forcing the management to come up with a disclosure in the Notes to Accounts of the reasons for its accounting treatment and the impact of such treatment on the profits of the company. In this way, the analyst can make suitable adjustments to his findings and come up with cohesive and correct conclusions.

2. Outright fraudulent reporting

As opposed to misrepresentations in the Financial Statements on the lines explained above, there is another form of Window Dressing which is far more serious and grave. This is fudging accounts by recording fictitious transactions to give a distorted picture of the financial affairs of the company. This is certainly a Criminal Offense and attracts serious penalties including imprisonment of erring employees. Under this category in order to increase profits, false credit sales may be recorded etc. Window Dressing of Financial Statements arises when transactions are misrepresented while Fraudulent Reporting of Financial Statements arises when transactions are fabricated. Both are undesirable.

Examples of Window Dressing

Examples of window dressing are noted below. These actions are taken shortly before the end of an accounting period.

Cash Window Dressing

Postpone paying suppliers, so that the period-end cash balance appears higher than it should be.

Accounts Receivable Window Dressing

Record an unusually low bad debt expense, so that the accounts receivable (and therefore the current ratio) figure looks better than is really the case.

Capitalization Window Dressing

Capitalize smaller expenditures that would normally be charged to expense, to increase reported profits.

Fixed Assets Window Dressing

Sell off those fixed assets with large amounts of accumulated depreciation associated with them, so the net book value of the remaining assets appears to indicate a relatively new cluster of assets.

Revenue Window Dressing

Offer customers an early shipment discount, thereby accelerating revenues from a future period into the current period.

Depreciation Window Dressing

Switch from accelerated depreciation to straight-line depreciation in order to reduce the amount of depreciation charged to expense in the current period. The mid-month convention can also be used to further delay expense recognition.

Expenses Window Dressing

Withhold supplier invoices, so that they are recorded in a later period.

Significance of Window Dressing:

Window dressing is important because every business wants its financial information to look as appealing as possible. It is what attracts new business opportunities, investors, and even consumers.

The downside to window dressing is that, on the whole, it's looked at with skepticism. Window dressing comes with at least a slightly negative connotation. This is because it can – and sometimes does – involve making unethical or even illegal changes to numbers, charts, timelines, orders, etc., to make the financial picture of a company look the most appealing to outsiders.

Ethics of Window Dressing:

The entire concept of window dressing is clearly unethical, since it is misleading. Also, it merely robs results from a future period in order to make the current period look better, so it is extremely short-term in nature.

Advantages of Window Dressing:

Following are the Advantages of window dressing for the Organization-

- The organization can get fund from the financial institute by showing the better position of financials
- Window dressing attract stakeholders
- Window dressing help reducing tax liability
- By showing good performance it shows the stability of the organization
- It influences the market price of the organization
- It shows a good liquidity position of the organization

Disadvantages of Window Dressing:

Following are the disadvantages of Window Dressing in Accounting:

- By doing window dressing it shows a false picture of financials of the organization

- It can cause major loss to stakeholders because when the actual conditions will be released in public they will start losing their money.
- Banks and the financial institutions will be insecure about getting repayment of their fund and interest on that fund.
- The market price of company will fall and shareholders will lose their money
- There is a loss of tax to the government if the company has shown less profit in financials.
- The company can reach a stage of bankruptcy.

Window Dressing in Indian Banks:

In banking, the window dressing is a strategy used by near the year or quarter end to improve the appearance of the figures or results before presenting it to clients or shareholders.

To window dress, the branches mobilize large deposits for a very shorter time, arrange loans against the large deposits or transfer the un-utilized credit limit portions into the CASA accounts. These accounts are then reported as part of the normal banking.

Window dressing is inflating both deposits and advances figures to create a false impression that the balance sheet looks good. Branch managers resort to this method to show themselves in a better light to their superiors and to get quick promotions. But over the years this practice has reduced drastically in branches.

For example, a branch manager may sanction loans against fixed deposits to inflate loan figures. Outstation cheques sent for collection are shown as realized. Giving advance credit against outstanding items in clearing. etc. The RBI Inspectors, while inspecting the books of accounts of banks, will find out easily where window dressing has been done. If there is a window dressing, they may issue show cause notices to the concerned banks, asking for suitable explantaion. Subsequently, they will go through the explanation offered by banks and examine it thoroughly. Bank will, then, be asked to revise the window dressing figures and show the correct figures in the balance sheet .If such things are repeated again, the RBI may impose severe penalty on banks.

Case: Reserve Bank of India (RBI) has imposed, by order dated November 18, 2019, monetary penalty of ₹ One crore on Indian Bank (the bank) for non-compliance with directions issued by RBI on Window-dressing of Balance Sheet and classification and reporting of frauds. The penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) and Section 51 (1) of the Banking Regulation Act, 1949, taking into account failure of the bank to adhere to the aforesaid directions issued by RBI.This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

Case Background:

The statutory inspection of the bank with reference to its financial position as on March 31, 2018, conducted by RBI, revealed, inter alia, non-compliance with RBI directions on Window-dressing of Balance Sheet, honouring of commitments under Guarantees and Co-acceptances, Know Your Customer norms, and classification and reporting of frauds. A Notice was issued to the bank advising it to show cause as to why monetary penalty should not be imposed for non-compliance with the aforesaid directions. After considering the bank's reply and oral submissions made during the personal hearing, RBI came to the conclusion that the charges regarding non-compliance with the directions on Window-dressing of Balance Sheet and classification and reporting of frauds warranted imposition of monetary penalty.

Status of Window Dressing in Banks in India:

Window-dressing in India is now almost known to everybody. It is an open secret. All public sector (some private banks too) banks indulge into window dressing not only at year end but also at quarter ends. Only difference between banks is that the degree of window dressing vary from bank to bank. It has now become so deep rooted that all analysts accept even the audited figures of deposits, credit and Non Performing Assets of banks in India with a pinch of salt. Nobody is ready to believe that these figures are the true reflection of the bank's growth or stability. Cooking of financial books is a widely practised fraud due to loopholes in accounting methods. "Since individual judgement is used in the way transactions are recorded, there are accounting assumptions, which fraudsters tend to exploit. Broadly speaking, there are four main areas for window dressing :-

(a) Deposits
(b) Credit
(c) NPAs
(d) Manipulation of provisions to boost profits

Senior bank officials working as Branch Head or Regional Head or Circle Head or Zonal Head or Central Head, all have barring some exceptions resorted to window dressing in the past and it is their mastery in art of window dressing that they continued to be blessed with one after other promotions superseding honest performers. They not only resorted to window dressing for deposits but also for advances.RBI never took notice of it or one may say that they indirectly supported this unhealthy and unethical practice prevalent in public sector banks in the name of achievement of targets.

Bank officers paid abnormal rates of interest for short term deposits and achieved the target of deposits. Bankers then motivated high value borrowers to withdraw their unavailed portion of sanctioned limit on closing days and park the same in their deposit account. In this way they made artificial jump in deposits and advances in last few days of closing year or closing quarter.

This fraudulent method of achieving target jeopardized the career of hundreds of senior officers who did not resort to window dressing and these officers were sidelined, posted at critical places and finally rejected in all promotion processes. There have been hundreds of senior officers who are expert in window dressing of advances too. They arrange short target valued clients to avail short term loan even if the corporate do not need and finally compensate them in-different-ways.

These corrupt bankers have caused huge loss to banks by paying abnormal interest for short period and by providing sub-PLR rate on advances to big clients who obliged them during closing period. All this caused huge loss to tax payers, investors and those who kept their hard money in saving deposits. Not only this these officers played big role in creation of bad assets in banks and finally writing off of big values loans .Volume of NPA was always concealed by these clever bankers and now on CBS they are getting exposed. Gross NPA of banks has made a new top and gone beyond control.

Window-dressing is one of the uncomfortable phenomena in the Indian banking system. The financial status of banks is evaluated every quarter (March-end, June-end, September-end and December-end). At these points of evaluation, banks try to boost their deposit figures through artificial means. However, the make-up does not last long. The deposit figures start dropping in the ensuing weeks till the attainment of a natural height. The paradox to be noted is that window-dressing is artificial, whereas window-undressing is quite natural.

In spite of being transitory, window-dressing has become a common and normal practice among bankers and an integrated feature of the system so much so that the quarterly figures of deposits are always accepted with a pinch of salt. All banks window-dress; only the degree differs.

Why Undesirable?

Window-dressing is undesirable because it introduces distortions in monetary and banking aggregates and, thereby, affects the process of monetary and banking policy and planning adversely.

Moreover, it makes the bank officials concerned complacent about making real efforts to mobilise 'stable' deposits. Of late, it is being realised that deposit mobilisation is often more effort-elastic than anything else. Window-dressed deposits are rather fickle.

Reasons

Over time, the Indian banking system has become more competitive. Not only there is stiff competition among banks to grab public deposits but also they have to compete against non-banks offering attractive returns. In contrast, the savings potential of the country has been varying in a limited range. Thus, there is a classical economic problem: Limited resources and unlimited competitors. The demand for of the latter is not only high but urgent and swift as well. In such a situation, those who can plan and execute the plans effectively to get a major chunk of savings can actually increase deposits; but those 'career-conscious' aspirants who fall short resort to window-dressing.

The Ultimate Truth

Like risk, window-dressing can only be minimised, but not eliminated. Let us accept the reality that so long as 'growth' is focussed in evaluation of financial status of banks, window-dressing will continue. All the stakeholders in the process of evaluation should be 'deprogrammed' from their obsession with 'growth'. Evaluation should include other parameters pertaining to a bank's efficiency, safety and soundness, staff productivity, financial inclusion, technology and the like as determinants of achievements and a simple, weighted index needs to be developed to calibrate a bank chief's performance. This is a challenge for the Finance Ministry which should constitute a committee with representations from stakeholders to devise the index.

Fraud Analysis:

The total cases of frauds (involving ₹1 lakh and above) reported by banks/FIs increased by 28 per cent by volume and 159 per cent by value during 2019-20 (Table 1). The date of occurrence of these frauds are, however, spread over several previous years.

Frauds have been predominantly occurring in the loan portfolio (advances category), both in terms of number and value. There was a concentration of large value frauds, with the top fifty credit-related frauds constituting 76 per cent of the total amount reported as frauds during 2019-20. Incidents relating to other areas of banking, viz., off-balance sheet and forex transactions, fell in 2019-20 vis-à-vis the previous year (Table 2).

Table 1: Fraud Cases – Bank Group-wise

(Amount in ₹ crore)

Bank Group/Institution	2018-19		2019-20		April-June 2019		April-June 2020	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7	8	9
Public Sector Banks	3,568	63,283	4,413	1,48,400	1,133	31,894	745	19,958
	(52.5)	(88.5)	(50.7)	(79.9)	(56.0)	(75.5)	(47.8)	(69.2)
Private Sector Banks	2,286	6,742	3,066	34,211	601	8,593	664	8,009
	(33.6)	(9.4)	(35.2)	(18.4)	(29.7)	(20.3)	(42.6)	(27.8)
Foreign Banks	762	955	1026	972	250	429	127	328
	(11.2)	(1.3)	(11.8)	(0.5)	(12.4)	(1.0)	(8.2)	(1.1)
Financial Institutions	28	553	15	2,048	4	1,311	3	546
	(0.4)	(0.8)	(0.2)	(1.1)	(0.2)	(3.1)	(0.2)	(1.9)
Small Finance Banks	115	8	147	11	25	1	16	2
	(1.7)	(0.0)	(1.7)	(0.0)	(1.2)	(0.0)	(1.0)	(0.0)
Payments Banks	39	2	38	2	10	0	3	0
	(0.6)	(0.0)	(0.4)	(0.0)	(0.5)	(0.0)	(0.2)	(0.0)
Local Area Banks	1	0.02	2	0.43	1	0	0	0
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total	6,799	71,543	8,707	1,85,644	2,024	42,228	1,558	28,843
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: 1. Figures in parentheses represent shares in total (in per cent).

2. The figures reported by banks & FIs are subject to change based on revisions filed by them.

3. Amounts involved do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets

reduced. Furthermore, the entire amount involved is not necessarily diverted.

Source: RBI Supervisory Returns.

While the frauds framework focuses on prevention, early detection and prompt reporting, the average lag in detection of frauds remains long. The average lag between the date of occurrence of frauds and their detection by banks/ FIs was 24 months during 2019-20. In large frauds, i.e., ₹100 crore and above, however, the average lag was 63 months. The sanction of the credit facility in many of these accounts was much older. Weak implementation of Early Warning Signals (EWS) by banks, non-detection of EWS during internal audits, non-cooperation of borrowers during forensic audits, inconclusive audit reports and lack of decision making in Joint Lenders' meetings account for delay in detection of frauds. The EWS mechanism is getting revamped alongside strengthening of the concurrent audit function, with timely and conclusive forensic audits of borrower accounts under scrutiny.

Advisory Board for Banking Frauds (ABBF)

The ABBF was created in consultation with the Central Vigilance Commission (CVC). The ABBF functions as the first level of examination of all large value fraud cases before recommendations/references are made to the investigating agencies by PSBs. The jurisdiction of ABBF would be confined to those cases involving the level of General Manager (GM) of banks and above.

Table: 2: Fraud Cases – Area of Operations

(Amount in ₹ crore)

Area of Operation	2018-19		2019-20		April-June 2019		April-June 2020	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Advances	3,604	64,548	4,610	1,82,051	1,157	40,373	787	28,545
	(53.0)	(90.2)	(52.9)	(98.1)	(57.2)	(95.6)	(50.5)	(99.0)
Off-balance Sheet	33	5538	34	2445	9	1,739	4	105
	(0.5)	(7.7)	(0.4)	(1.3)	(0.5)	(4.1)	(0.3)	(0.4)
Forex Transactions	13	695	8	54	0	0	1	0
	(0.2)	(1.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)
Card/Internet	1,866	71	2,678	195	555	29	530	27
	(27.5)	(0.1)	(30.8)	(0.1)	(27.4)	(0.1)	(34.0)	(0.1)
Deposits	593	148	530	616	127	66	115	107
	(8.7)	(0.2)	(6.1)	(0.3)	(6.3)	(0.2)	(7.4)	(0.4)
Inter-Branch Accounts	3	0	2	0	0	0	2	0
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)
Cash	274	56	371	63	75	4	52	15

	(4.0)	(0.1)	(4.3)	(0.0)	(3.7)	(0.0)	(3.3)	(0.0)
Cheques/DDs, etc.	189	34	202	39	47	5	27	32
	(2.8)	(0.1)	(2.3)	(0.0)	(2.3)	(0.0)	(1.7)	(0.1)
Clearing Accounts, etc.	24	209	22	7	11	6	0	0
	(0.4)	(0.3)	(0.2)	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)
Others	200	244	250	174	43	6	40	12
	(2.9)	(0.3)	(2.9)	(0.1)	(2.1)	(0.0)	(2.6)	(0.0)
Total	6,799	71,543	8,707	1,85,644	2,024	42,228	1,558	28,843
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

DDs: Demand drafts.

Note: 1. Figures in parentheses represent shares in total (in per cent).

2. The above data are in respect of frauds of ₹1 lakh and above reported during the period.

Source: RBI Supervisory Returns.

Statutory Measures for Minimizing Risks of Window Dressing

1. Accounting Standards are a major tool for eliminating the risk of window dressing of financial statements. Any deviation is reported by the Auditors of the Company.
2. The "Audit Committee" of the Board of Directors which is a mandatory compliance for companies is a very strong tool to ensure proper accounting and presentation of financial statements and dealing with deviations with norms of accounting, audit observations and qualifications.
3. Independence of Auditors stressed upon and provided for in the Companies Act is another key imperative for minimizing the risk of window dressing of financial statements.

Extent of Window Dressing at Present :

Frankly speaking, it is impossible to find out what is the extent of real window dressing as Banks in public take a stand that they do not indulge into any window dressing. However, the comparison of the various figures as on 31st March of a year and a fortnight or a month later shows as to how much they have manipulated. However, on certain parameters like NPA and profits, the window dressing remains under the carpet for long times.

Inferences:

- Window dressing is when an enterprise or a bank makes its situation appear better than it actually is.
- Window dressing is done to protect from takeovers, to improve share valuations, to appease shareholders with higher profits, to increase revenue from takeovers, to win or retain the support of institutional investors, or to retain or gain lines of credit.
- The most commonly used window dressing technique is to present statistics in a way that enhances performance.

- Window dressing is increasingly becoming a necessity, borne out of pressure, to appease shareholders.
- Window dressing is not illegal.
- Accounts can be ‘massaged’ by choosing a beneficial reporting time.
- Deliberate deception in accounts is fraudulent from the point of view of the law

Conclusion:

Window dressing is a gateway for the banks to show the strong financial position of the company through some unethical methods. As stronger financial position helps the banks to earn many benefits like expanding the business, arranging funds, etc. whereas the practice is unethical as well as wrong which may lead the hard-earned funds of the investors and shareholders at risk. Because it may help in the short-run but in the long run it could become detrimental. Such practice is only adapted due to the interest of the management which just show a strong financials in the short term but could prove bad for the investors. The present Government at the Centre is yet to prove its credentials that it is serious to curb this malpractice which is at the root of most of the ills of banking industry.

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