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AN EMPIRICAL ANALYSIS OF INFLUENCE OF FRAUDS ON THE PROFITABILITY OF INDIAN PUBLIC SECTOR BANKS

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ABSTRACT

Banks is a pivot around, which the whole economy clusters and plays a significant role in the development of an economy. Fraud is a dimension of corruption, which has been enrooted in almost all economies of the world and has affected financial sector as whole, and banking sector is not an exception to this. Considering the dangerous effect of the fraud on the banking sector, the present study aims to analyze the influence of fraud on the performance of the Indian public sector banks. Here the profitability is taken in terms of Return on Assets (ROA), Return on Equity (ROE) and Return on Investment (ROI), which are serving as dependent variable. On the other hand, frauds are considered as Severity of Frauds (SOF) and Frequency of Frauds (FOF), which are serving as independent variable. The data of 11 years i.e. (2005-2015) is taken into account, which is collected from the India Stat. The base year for the purpose of evaluation is taken as 2005. Accordingly the following 26 public sector banks, fall under the scope of the study. For the purpose of analysis, panel least square regression is used. The collected data is analyzed with help of statistical software, E-Views. The p-value of F-Test is.000, which is less than .05, accordingly we reject the null hypothesis, that the frequency and severity of frauds in the public sector banks have no significant impact profitability. Alternatively, there is significant impact of frequency and severity of frauds, on the profitability in the Indian public sector banks.

KEYWORDS: Profitability, Indian Public Sector Banks, Severity and Frequency of Frauds