

A Conceptual Study on Xbrl Implementation in India: Issues and Challenges

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ABSTRACT

XBRL is a modern tool for the digitalized disclosure of business and financial information of the business houses. And it is the reporting trend emerging around the world. This new tool removes almost all pitfalls of traditional format of financial reports such as paper-based, pdf, HTML, word etc., these are static in nature not enable the preparers and users to easy comparison, analysis and re-using of previous reports for the preparation of current years reports. But Extensible Business Reporting Language benefits both preparers and users in various ways such as in creation, analysis and disclosure of business and financial information. The present study aims at analysing XBRL implementation and issues and challenges in India. For this purpose study adopted secondary sources of data and concludes that XBRL will change reporting paradigm in India due to its greater benefits and opportunities. There is a need of additional development in this context in India scenario. This Development includes extending XBRL for banking, insurance, power, NBFCs and small and medium sized organisations.

Keywords: XBRL, Implementation, Issues, Challenges

INTRODUCTION

XBRL is a modern tool for the digitalized disclosure of business and financial information of the business houses. And it is the reporting trend emerging around the world. This new tool removes almost all pitfalls of traditional format of financial reports such as paper-based, pdf, HTML, word etc., these are static in nature not enable the preparers and users to easy comparison, analysis and re-using of previous reports for the preparation of current years reports. But Extensible Business Reporting Language benefits both preparers and users in various ways such as in creation, analysis and disclosure of business and financial information. It also helps in cost savings, maintain greater efficiency and to improved accuracy and reliability of information being communicated to all stakeholders who are having both direct and indirect interest in the business operational and financial aspects. It is already being put to practical use in a number of countries and implementations of XBRL are growing rapidly around the world.

Adoption of this new interactive language for business and financial information disclosure

purpose is increasing day by day around the world. This language is not only helps in disclosing the business information but also helps in following the international standards set for guiding the disclosure of financial and non-financial information i.e., IFRS an international accounting standards set by IASB to maintain the uniformity in accounting throughout the world. GRISRs (Global Reporting Initiatives Sustainability Reporting Standards). These are the emerging international standards set for giving the framework for reporting and disclosure of sustainability information by the business houses. From this point it is clear that XBRL is a reporting standard which helps in harmonizing accounting standards and comply with business rules set by the regulatory authorities of the country. In future XBRL is the prominent tool for implementing the integrated reporting system in India. And for meeting the regulatory requirements of particular business organisations even at the individual organisation level.

XBRL IN INDIA- PRESENT SCENARIO

In India there is a separate jurisdiction of XBRL International that is known as XBRL India. A

distinct company established under section 25 of companies Act to look after the operations of XBRL India. This company is working with some objectives that are:

- To create awareness on XBRL in India
- To create and maintain Indian XBRL Taxonomies
- To support the companies in adopting and implementing XBRL.

Applicability of XBRL In India

Reporting of business and financial information in India is compulsory for the following companies and which shall file their financial statements and other documents as per section 137 of the Act, with the Registrar of the companies through e-form AOC-4 XBRL as per Annexure-I :

- Companies listed with stock exchanges in India and their Indian subsidiaries;
- Companies having paid up capital of 5 crore rupees or more;
- Companies having turnover of 100 crore rupees or more;
- All companies which are required to prepare their financial statements in accordance with companies Rules, 2015 as per Ind-As.

Non-Applicability of XBRL In India

For some of the group of companies XBRL still not applicable for the preparation of their financial statements these are as under:

Non-banking financial companies,
Housing finance companies
Companies engaged in the business of Banking
Insurance sector and
Companies are below the threshold limit.

Nature of XBRL Taxonomies Used In India

For the preparation of XBRL based financial statements a dictionary which defines each and every element of the financial statements in the XML language is needed that is known as taxonomy.

In India taxonomies are prepared for Indian companies as per the requirements of

- Schedule III of Companies Act
- Indian converged Accounting Standards with IFRSs, issued by ICAI

- SEBI Listing requirements and other legal requirements specified by MCA.

Xbrl Document

It is a document which is based for the preparation of financial statements and which comprises of:

- Taxonomy - describes and classifies the business and financial terms.
- Instance document- contains the facts and figures to be included in annual reports

LITERATURE REVIEW

Yoon et al., (2011) concluded that XBRL adoption reduces the information asymmetry in the Korean Stock market. There is a need of future research on examining the additional benefits of XBRL adoption for various stakeholders.

Makhaiel .N. K and Joseph Sherer(2017). In their study they have analyzed that the effect of political-economic reform on the quality of financial reports in Egypt. Also contributed theoretical aspect for shaping the accounting practices in socio-economic environment and investigated the influence of socio-economic factors on accounting and reporting processes in developing countries. To analyze the data authors have adopted interpretive approach and they found that political-economic reforms in Egypt have negatively affected on the quality of financial reporting.

James Gunn (2007) discusses the potential of XBRL in making the recognition and disclosure distinction more transparent by reducing errors or omissions in user's information search by making their search more targeted. It also reduces the cost of data processing, re entering, manual cut and paste exercises. Finally in the paper it is evidenced that XBRL reporting ensures the transparency of data and assures the quality of data.

Ernest and Harmon (2012) have analyzed and predicted the role of auditors which could be expanded with the introduction of XBRL financial reporting by their conceptual study. They have found that the steps involved in creating XBRL financial statements create additional risks in financial statement disclosure. For this reason, they are in the opinion that auditors will be required to adjust their process and also master XBRL terminology, taxonomies and tools. Also suggests auditors to gain early and in depth

knowledge of audit implications of XBRL which will give a strategic competitive advantage in the marketplace.

Ana oluic and Mamic Sacer (2013) analyzed the impact of information technology on accounting process and on accounting information system quality. They collected data through structured questionnaire from 400 large and medium size companies and other secondary sources. Collected data was analyzed through simple statistical tools such as averages, percentages etc., finally their study concluded that the information technology is significantly effects on the quality of financial reporting system by ensuring the accuracy, timeliness and reduced cost of production accounting information. They also suggested for the improvement of some areas such as implementation of suitable training to employees and to conduct continuous auditing of information to ensure the quality of accounting information.

AICPA and XBRL-US (2018), had conducted a pricing study on XBRL Reporting companies. They analyzed the price data of 13 XBRL reporting agents to 1032 small reporting companies and compared between 2014 and 2017 results on reporting costs to small scale companies. Finally, they witnessed that there is a decline of 45% of average costs of financial reporting due to XBRL initiative and also the companies benefitted to reach more investors and helps analysts for easy access of detailed financial disclosure information. **Steve Yang et al., (2016)** examined the impact of XBRL on financial statement structural comparability during the post XBRL implementation period in US. For the purpose of data, the authors have adopted secondary sources by analyzing 27,971 annual reports from 10 industries for the period 2010-2014. Data collected was analyzed through content analysis, graph similarity measure, local outlier factor algorithm and Mann-Whitney U test were applied and they analyzed income statement, balance sheet and cash flow statement structure through XBRL SEC filings and found that there is significant improvement in structural comparability of financial statements and also witnessed that the XBRL filings benefits regulators in providing suggestions for continuous development of XBRL in USA.

Abhishek et al., (2018) analysed the impact of XBRL on the efficiency in disclosing integrated corporate information. Concludes that XBRL

formatted financial reports are more efficient than non-XBRL formatted reports because of its fruitful benefits to all stakeholders.

Research Gap

By the analysis of existing research it is found the major studies are carried on international perspective and only few studies carried on Indian context of extensible business reporting language and no study had focused on the XBRL implementation aspects in Indian scenario so the present study aims at describing the implementation challenges and issues faced in Indian scenario.

Research Questions

- Why XBRL is important in Indian scenario?
- What are the issues and challenges involved in implementation of XBRL in India?
- What is the present and future prospect of XBRL in Indian context?

Research Objectives

- To examine the importance of XBRL in Indian scenario.
- To analyze the issues and challenges involved in implementation of XBRL in India.
- To analyze the present and future prospect of XBRL in Indian context.

Research Method

The present study is conceptual and descriptive one based on secondary sources gathered from published sources such as news papers, journals, government and other online sources. For the purpose of analyzing the data basic statistics tools such as tables are used.

RESULTS AND DISCUSSIONS

Importance of XBRL In Indian Scenario

India had experienced the benefits and problems of human-readable format of financial reports from so many years i.e., Word, Excel, PDF and HTML etc., are not give much benefits than the reports which can be readable by both human and machine. The format of financial report which is both human and machine readable format benefits in number of ways for both preparers and users like it reduces many mechanical tasks. And also minimizes preparation and consumption financial and business information costs and also maintains high quality of data so the implementation of XBRL reporting for Business and financial

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information in India is important in various aspects that are:

XBRL format of financial reports built based on the country specific standards. In India XBRL

taxonomy based on Ind-As And Accounting rules and it is impossible to violate the business and accounting rules so this format enables to create the accurate reports.

Table 1. Comparison of Traditional Reporting and XBRL-Reporting Process

Steps	Traditional Reporting Process	XBRL-Reporting Process
1.	Enter debit transactions i.e., the facts related to ASSETS.	Enter business and accounting rules. i.e., Debit=credit in other words Assets=liability + owners equity.
2.	Enter credit transactions i.e., The facts related to liability and owner equity	Enter debit transactions i.e., the facts related to ASSETS.
3.	Generate the business and financial report.	Enter credit transactions i.e., The facts related to liability and owner equity
4.	-	Generate the business and financial report.

Source: secondary source

From the comparison of traditional and XBRL reporting process it is evident that the XBRL-Reporting process is more scientific and comprehensive than traditional format of reports because XBRL-reports are built based on the business rules such as mandated legal compliance rules like Companies Act 2013 provisions, tax provisions and accounting rules such as Ind-As provisions, Costing provisions and others as required by the regulatory authorities. These business rules included in taxonomies serves as the suggestive guidance and enables the Indian corporate for easy verification of compliance of various rules followed during the reporting of information. This saves the time and cost by eliminating the manual verification process. Along with this XBRL benefits all stakeholders by providing the platform to analyze Meta data without additional efforts. Further meta data provides the information on information for instance if a reader reading fixed assets details and he wants additional detail on fixed assets then it is easy by clicking on fixed assets he can get additional information as he wants. In future it is possible to add auditing and assurance rules and standards to the XBRL taxonomies and which enable easy auditing process. From new format of XBRL financial reports completely changes Indian accounting and reporting environment. Due this Indian companies are being capable of cater the information needs of various stakeholders and enables them to take timely decisions and also they will become competitive firms which can produce the information based on the international accounting and reporting framework i.e., IFRS and XBRL to attract the global communities and to take the interest of their investment.

Issues Involved in Implementation of XBRL in India

- the present dynamic environment prevailing in the country is created the need of reporting and communication of increased volume of both financial and non-financial information in an annual reports this created a complexity for corporate houses to report and communicate the information so to smoothen this complexity of reporting and communication of business and financial information XBRL-format of business reporting becomes an alternative or option to the business entities.
- Today is the scenario in which each every sector of business houses get digitalizing it is the need of the hour of including various sectors of business which are not covered in XBRL reporting such as power, NBFC, insurance, banking and small scale industries. For this MCA already published taxonomies for public opinion.
- The perfect and comprehensive implementation of the XBRL reporting for all other sectors which are not yet included in this new reporting purview will be successful only when the preparers of the reports is able to generate the reports in XBRL format they have to have their own technological systems. to achieve this the reporters have to combine various systems at their accounting and reporting environment and link it to automated XBRL reporting software.
- Ministry of Corporate Affairs is revised MCA C and I taxonomy in various version like XBRL validation tool-1.1, 1.11 etc., if this is taken place again and again to change business rules for the purpose of reporting it is not

possible to business houses to compare the reports its with previous years reports.

- XBRL is only the communication language it does not impact on the accounting procedures, rules, principles and standards. Further it does not change the accounting process.
- Re-usability of XBRL reports by way of preparing current year reports with the help of previous year reports is also not possible by the reporting entities due to the repeated revision of XBRL taxonomy by the regulatory authorities.
- XBRL format reports helps to explain the Meta data so RBI and IRDAI is moving towards an items-based approach from present return based approach.
- If Reserve Bank of India moved XBRL-Reporting it enables to gather all data from regulated and supervised banking companies in a comprehensive manner.
- RBI from implementation of XBRL some of the day-to-day banking functions of a centralized operations environment can be easily managed through XBRL.
- XBRL- formatted Business and Financial Reporting is a emerging advanced tool for bringing an interactive approach to financial and business reporting and communication purposes. It eases accountability among preparers, benefits and empowers regulatory authorities and provides accurate information, enables key stakeholders to take better decisions on various matters.
- This new format of financial reporting mechanisms allows preparers to extend the information to be published in annual reports if this possible in Indian context definitely it is not possible compare the results between the firm but now the extending of information power is within the hands of MCA.
- In taxonomies based reporting system some financial elements are mandatory for reporting even if there is no reported items in such a case they need to be reported as zero.(for instance, inventories and unsecured public deposits are mandatory elements) these processes are unnecessary.
- Today some the countries of the world like US is using in-line XBRL which enables both preparers and users of financial statements to verify the line by line elements of the financial

and business statements given in the annual reports.

- Along with these the elements which are matched with the taxonomy should be reliable and applicable and the software's used should conform to the approved taxonomy.

Challenges Involved in Implementation of XBRL In India

Adaptation of new technology, method, technique etc., for any aspect will create its own challenge for its successful implementation likewise XBRL implementation for digital financial reporting in India is also facing various challenges to build strong base for new method reporting and communication of financial and non-financial information by the Indian companies .The main challenges involved in implementation of XBRL in India are:

- There is a lack of awareness among the people involved in reporting and communication of business and financial information such as auditors so creation of awareness among these people is a big challenge facing the regulatory authorities who are involved in mandating XBRL reporting in India(MCA, SEBI, IRDAI,RBI etc.,)⁹.
- Implementation of XBRL in banking and insurance sector is the need of the hour but banking and insurance companies are running under their own reporting software's and it is difficult to immediate modernising of their financial reporting technology in relation to compliance, accounting and audit aspects.
- In India at present there are only limited vendors from whom the business organizations directly can import the taxonomies which are suitable to their nature of business i.e., manufacturing, services, banking, insurance etc'.
- India is a fastest growing country having dynamic and complex environment which leads to regulatory authorities to timely revise the reporting requirements this directly creates the challenge for developing the taxonomies as per the timely revised requirements by the regulatory authorities.
- To implement XBRL in Indian banking and insurance sector there must be separate taxonomy applicable to the business and financial aspects of this sector so development of separate taxonomy for this sector is one of the greater challenges to RBI and IRDAI who regulates these sectors in India.

- Today it is not only important to report financial information as per the requirements of IFRS but it is also important to report non-financial information (sustainability information) as per the requirement of GRI requirements so it is also a big challenge to the regulatory authorities to provide a XBRL taxonomy which accommodates both the financial and non-financial information under a single annual report.
- It is very important to implement XBRL format which is compatible at the international environment that is in-line XBRL but in India still it is not possible so implementation of Indian in-line XBRL with greater research and development of the present matter is one of critical challenge being faced by the regulatory authorities of the country.
- Working with this new system for financial system professionals who are involved in preparation and publication of reports are required to possess new skills to work within this new digital paradigm and to understand new tasks to be performed based on computer engineering. So it is one of the major challenges to both regulatory authorities to business to give platform for increasing the skills and knowledge required by them.
- In India still so many professional accountants are not aware of XBRL and who are working for small and medium sized business organisations, if the MCA implements a separate taxonomy of XBRL for this sector then how professional accountants will work for XBRL is the big question.
- Majority of small and medium sized business organizations working in India are not much upgraded for accounting and reporting purposes still they are following manual task if the government implements XBRL to this sector definitely it will create a problem for both filers and government.
- It is very important to have reliable taxonomy after the perfect designing by establishing interrelationship among various elements in the taxonomy. To make this in better way it is necessary to have co-ordination among the government regulatory authorities, super agencies, companies, stock exchanges, accountants and auditors, technical team, XBRL software vendors and well trained staff who involved in preparation. And it has become one of the critical challenges in successful implementation of XBRL in India.

SUMMARY OF FINDINGS

XBRL is the greater tool which caters the need of all the stakeholders of the business. The present study by the analysis of the past and present scenario of XBRL in India finds that there a big challenge for Indian government and the business people for the successful implementation of XBRL. The major findings are:

- There is need of greater technological and accounting research in developing the taxonomies which are applicable to banking, insurance, power and NBFCs and are no in the purview of XBRL reporting.
- As of now it is impossible to compare the financial information disclosed through XBRL because there three versions of taxonomies which are updated as per requirements of the regulatory authorities.
- It is found that India is the first country which implemented taxonomy to file cost audit report throughout the world.
- There is a lack of co-ordination among government regulatory authorities, super agencies, companies, stock exchanges, accountants and auditors, technical team, XBRL software vendors and well trained staff who involved in preparation.
- There is a lack of awareness among chartered accountants who are working for auditing of small and medium sized business organizations.
- There is greater need of having taxonomy applicable to Banking, insurance , power and NBFCs for this there is a need of research.
- There is a need of having taxonomy applicable to disclose both financial and non-financial information under single report for that there are no works are started.

CONCLUSIONS

XBRL will change reporting paradigm in India due to its greater benefits and opportunities. There is a need of additional development in this context in India scenario. This Development includes extending XBRL for banking, insurance, power, NBFCs and small and medium sized organisations. If these developments are taken place then it is easy to undertake integrated reporting initiative. Finally study concludes that implementation of XBRL in all the sectors helps the country to build the

international competencies that can be enjoyed by all the business people.

LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

The major limitation of the present study is application of secondary source of information and it is not focused on the analysis of XBRL format of reports on different aspects and which can be the area needs the attention of future research.

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Citation: Abhishek N, Dr. M L Ashoka, M S Divyashree" A Conceptual Study on Xbrl Implementation in India: Issues and Challenges." *Open Journal of Economics and Commerce*", vol. 1, no. 4, pp. 45-51 2018.

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